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PROCEEDINGS
NINTH
NATIONAL CONFERENCE
Of Fruit And Vegetable
Bargaining Cooperatives

Olympic Western Hotel
Seattle, Washington
January 16-17, 1965

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U.S. Department of Agriculture
Farmer Cooperative Service
Washington, D.C.

PROCEEDINGS OF THE
NINTH NATIONAL CONFERENCE ON
FRUIT AND VEGETABLE BARGAINING COOPERATIVES

This is a report of the Ninth National Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Olympic Western Hotel, Seattle, Washington, on January 16 and 17, 1965. Approximately 150 persons participated in the conference.

The purpose was to provide a forum to discuss mutual problems and to encourage exchange of varying ideas and opinions to help bargaining cooperatives more effectively meet growers' needs.

Again at the request of various fruit and vegetable bargaining cooperatives, the Farmer Cooperative Service, U.S. Department of Agriculture, arranged and conducted the conference.

These proceedings include speeches made at the conference, as well as other related information. In view of the diversity of ideas expressed, the views reported here are those of the participants and not necessarily those of the U.S. Department of Agriculture.

The use of commercial names does not constitute an endorsement by the U.S. Department of Agriculture.

Copies of these proceedings -- in limited quantity -- may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U.S. Department of Agriculture, Washington, D.C. 20250.

Tenth National Conference will be held in
Washington-Hilton Hotel, Washington, D.C.,
January 16-17, 1966.

C O N T E N T S

	<u>Page</u>
Introductory remarks - - - - - Kenneth D. Naden	1
The role of bargaining cooperatives in coordinating production, distribution, and consumption - - - - - G. Alvin Carpenter	2
Bargaining techniques in labor negotiations - - - - - John W. Keltner	12
Bargaining techniques in milk negotiations - - - - - Glenn Lake	37
Bargaining techniques and experience in fruits and vegetables	
Orlo S. Carver - - - - -	44
Richard L. Black - - - - -	48
Berkley I. Freeman - - - - -	55
Harold J. Hartley - - - - -	63
Developing effective relations between processing and bargaining cooperatives - - - - - Clay Whybark	66
Improving the legal climate for bargaining cooperatives -- Summary of Work Group A - - - - - Leader: Joe Dwyer Secretary: D. Morrison Neely	71
Organizing for more effective bargaining -- Summary of Work Group B - Leader: Gene R. Coe Secretary: Earl R. Franklin	77
What directions for bargaining cooperatives? -- Summary of Work Group C - - - - - Leader: Roland H. Groder Secretary: Walter M. Furbay	79
Important issues in current bargaining efforts - - - - - S. R. Smith	81
Statements of panel members:	
David L. Call - - - - -	87
Ralph B. Bunje - - - - -	91
C. William Swank - - - - -	95
Appendix:	
Resolution - - - - -	101
Persons attending the conference - - - - -	102
List of fruit and vegetable bargaining cooperatives - - - - -	107

INTRODUCTORY REMARKS

Kenneth D. Naden, Executive Vice President
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At this conference last year there was some talk about an important piece of legislation which was imminent, a bill to create the National Commission on Food Marketing. That was approved and the Commission is now in operation and holds great hope for the most thorough explanation and examination of our Nation's agriculture that we have had in many decades.

You will hear much about this Commission at this annual meeting. I plan to discuss certain features of it and Congresswoman May of Oregon, a member of the Commission, will discuss her concept of its operation and some decisions made at the January 7th meeting of the Commission.

Some of you may have read a most significant statement by Ewell Roy of Louisiana State University in his new book on cooperatives. He said that he doubted if the bargaining association idea could go very far in this country as a positive influence on farm income without some additional legislation. I know this topic is uppermost in your mind and from your program, I judge it will receive attention at this meeting.

Some of you may also know that the American Farm Bureau Federation has now introduced the Secrest-Aiken bills in the 89th Congress as they were introduced in the 88th Congress. These bills are designed to give just this kind of legislative support to the bargaining association idea. We expect to see action on these in the near future.

One of the principal points in our mind about these bills is whether, if enacted, they really will stop discrimination against farmers seeking to join a bargaining association. There is considerable danger that they will give only a false sense of security about an area which is so difficult to legislate correct behavior.

A much more worthwhile objective in this endeavor is to create real bargaining power by reason of your own actions rather than depend upon legislation. One of the risks in the Secrest type bill is that it could give assistance to unsound group action.

Another possible approach to discrimination against farmers is an amendment of the Federal Marketing Order legislation of 1937 that could permit the establishment of producer market orders as a more effective correction of discrimination. I hope this subject will also receive more discussion here.

THE ROLE OF BARGAINING COOPERATIVES IN COORDINATING
PRODUCTION, DISTRIBUTION, AND CONSUMPTION

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We are all aware of the far-reaching changes that have taken place in American agriculture during the past two decades. We have been witnessing the explosive period of farm technology when yields of crops and rates of livestock production have exceeded previous records year by year.

For many products, output-increasing forms of technology have been adopted by farmers at a rate which causes total farm output to increase faster than demand is expanding. We have seen it in broilers, in some vegetable crops, in wheat, in dairy and, this past year, in beef production.

Once the capital investment is made in new technologies, the new production methods are irreversible and are likely to continue even though prices fall. Such a situation can mean trouble for farmers when production is not geared to meet the needs and specifications of the market.

When there is lack of coordination between production and marketing, the production side often turns out commodities for which the marketing side has no immediate outlet at a satisfactory price.

One reason for such a situation stems back to the basic characteristics of technology as it has evolved in agriculture and marketing. Production is efficient in relatively small units; whereas, marketing is most efficient in much larger units. Historically, production and marketing functions have largely developed under separate control and management. Under today's conditions, there is need for much closer coordination of these segments of the food business.

I. Many Changes Forced by Technology

There is little doubt that wide application of technology in agriculture and the food business has accentuated some of our marketing problems. We see on every hand:

1. Growth in the size of the business unit at the farm, the factory, and the retail store. Mergers, consolidations, and supermarkets are on the increase.
2. We see wider use of automation and mechanization.
 - a. To get economies of scale.
 - b. To reduce high labor costs.
 - c. To assure more uniformity of product.

3. Retail units are becoming larger, more elaborate, and more mechanized.
 - a. The number of items per store is increasing to over 7,000.
 - b. More non-food items are handled to gain more volume and more customers.
 - c. One-stop shopping predominates.
 - d. Large retail units try to shortcut supply lines and increase direct buying at shipping points to assure continuous supplies to meet their specifications.
4. With the growth in size of unit has come interlocking of functions--a sort of grower-to-grocer production and marketing system is emerging.
 - a. Farmers are being organized or they are organizing themselves to produce what the market wants.
 - b. Market agencies are doing more precise planning to fit the needs of mass-distribution systems. This is evidenced by:
 1. Product planning to fit more exacting specifications.
 2. Procurement practices to avoid out-of-stock situations.
 3. Manufacturing and processing of more food items.
 4. New merchandising developments to attract and hold more customers.
5. Traditional methods of buying and selling are changing.
 - a. Wholesaling is gradually being taken over by large retailers.
 - b. Small-scale processors and packers are selling more on specification to large retailers who have their own policies with respect to pricing, brands, and trade promotion.
 - c. Some packers and processors are becoming bulk suppliers to retailers, filling orders on specification. A greater concentration of market power is in the hands of the large retailers.
6. What we might call precision merchandising is appearing more and more. This means more attention is given to items that have quick turnover and sales appeal.
7. Services performed by the marketing system are increasing as compared to services performed by farmers in producing raw materials.
 - a. More convenience factors are being added to foods.
 - b. Marketing costs or spread will make up an increasing share of the consumer's dollar, and this is not likely to be easily reduced.

- c. More expensive facilities for processing and handling foods, including packaging, freezing, dehydrating, freezer storage, mass-handling, and the like, are developing.
- d. New products, new packaging, and more efficient handling and transportation are all being emphasized. There is a greater differentiation of products in an effort to gain greater market share.

All of these trends are of increasing significance to processors, farmers, and marketing agencies.

II. Impact of Changes on Food Processors

Let us look for a moment at the influence these forces have on food processors.

1. The importance of processing to the total food industry has increased. Since the consumer demands more built-in convenience features in foods, it means more processing.
2. Many steps in food preparation have shifted from the kitchen to the processor, and with higher incomes more consumers want these convenience factors.
3. Although processor operations have increased, this development has not had the effect of strengthening the processor's control over products offered to the consumer. Processors, the same as producers, are facing more specification buying by retailers; and in order for them to coordinate their procurement of raw products with retailer requirements, they try to meet it in two principal ways:
 - a. More contracting with growers for specified volume, quality, or variety to be delivered at a specified time.
 - b. By actually entering into more production of raw products themselves.

The first development, namely, that of contracting with growers, will continue to increase in the future as a means of assuring processors a definite supply which they can process and sell to large retailers. The wider use of contract production emphasizes the need for strengthening the bargaining position of farmers. This can be done through soundly organized bargaining associations, as will be explained later.

III. Impact of These Changes on Producers

1. One of the most important implications of these changes for the farmer will be that he will produce less for the so-called open market and more for the market where the buyer has considerable to say over grades, quality, and the terms of purchase.

2. The demand by buyers for the farmer's product is being made in terms of a much narrower range of product specification. To be most successful, farmers in all categories will need to produce and market crops and livestock to more exact specifications:
 - a. The leaner hog.
 - b. The less fat beef at specified weight.
 - c. The special variety and grade of fruit or vegetable which the consumer, buying through the integrated supermarket, desires.
 - d. The fresher egg or the specified weight and grade of broiler, and the like.
3. In other words, the farmer will need to relate his production decisions to marketing needs. Those who do this will be rewarded and those who don't will likely be penalized. The important point here is that the farmer, to be most successful, should not attempt to sell what he wants to produce, but rather he should produce what he can sell and what the market wants.

IV. The Need for Better Coordination

For many years, economists and farm leaders have talked about the need for better coordination of production, marketing, and consumption. They realize that changes in any one of these segments influence each of the others. Production decisions are, in reality, marketing decisions and will be more so in the future.

Nothing is more important in making production plans than to know all the facts about the market through which the products will move into consumption. Production without definite marketing plans can be disastrous. Too often, an individual farmer's best-laid plans for marketing his crop may go astray because he didn't know what several thousand other farmers producing the same crop were going to do on the same day.

Lack of proper coordination between production and distribution means that the signals from the consumer sector don't get through to the producers as fast, as clear, nor as loud as they should. Adjustments of supplies to the specifications and demands of the market are slow in coming about. As a result, the major burden usually falls on producers in the form of lower prices. Better coordination throughout the whole system would prevent many such difficulties.

More and more of our traditional marketing processes are being questioned as methods of exchanging goods. Exchange processes are developing outside traditional markets. Vertical integration, for example, ties businesses together so that products move through production and distribution channels without going through many of the traditional markets. This has come about because it makes sense and fills a need. Government is being asked today, through the newly appointed Food Commission, to step in and investigate the whole food industry, analyze the market structure, and recommend changes to improve the market environment in general.

Farmers and organizations selling for them have been facing a drastic reduction in the number of buyers and corresponding increases in the size of buying units. On every hand, you hear the cry, "Farmers must increase their bargaining power." How can they do it? What tools can they use?

Historically, American farmers have been concerned with their relative bargaining power in the markets in which they buy and sell. To improve their position, they have, in many instances, formed supply and marketing cooperatives. These cooperatives have been of two basic types: (1) Operating--those that physically handle the product; and (2) bargaining--those that bargain on prices and other terms of sale, but normally do not replace handlers.

In general, farmers have used their operating cooperatives to try to overcome the power of buyers and sellers, by bypassing them in the market, by providing more and better services and reducing profit margins, or making such margins available to farmers through their cooperatives. Farmers belonging to these cooperatives have, in fact, become their own retail suppliers and first handlers.

Farmers belonging to bargaining associations, on the other hand, have tried to improve their market position by counteracting the power of buyers with increased power of their own. Bargaining associations have developed, through horizontal integration of producers of specific commodities, into single bargaining groups. Through this means, certain well-organized groups have discovered they can create an effective force to deal with few but large buyers for their commodity.

V. Some Weaknesses in Bargaining Associations

Experiences in cooperative bargaining emphasize repeatedly the necessity for adequate control of volume and the importance of sound organization and management if success in influencing market prices and other terms of sale is to be achieved.

Most attempts at monopoly control of supply have failed principally because of: (1) Inability to bring about the effective cohesion of a sufficiently large proportion of the producers; (2) inability to prevent the entrance of new producers into production of the commodity or to control the output of those already producing; and (3) inability to prevent substitution of one product for another by the consumer.

In discussing the weaknesses of cooperatives, J. K. Galbraith states:

"For exercising market power, cooperatives have fatal weaknesses. The co-op is a loose association of individuals. It rarely includes all the producers of the product. It cannot control the production of its members and, in practice, it has less than absolute power over their decision to sell. All these powers over its own production are possessed as a matter of course by the corporation. A strong bargaining position requires ability to wait--to hold some or all of the product. The co-op cannot make the nonmembers wait; they are at liberty to sell when they please and, unlike the members, they have the advantage of selling all they please. In practice, the cooperative cannot fully control even its own members. They are under the constant temptation to break away and sell their full production. This they do, in effect, at the expense of those who stand by the cooperative. These weaknesses destroyed the Sapiro cooperatives." 1/

Most students of cooperation recognize these as principal weaknesses more or less inherent in bargaining associations. What can be done to overcome them? If bargaining associations are to have an increasing role in coordinating production, distribution, and consumption, these weaknesses must be overcome. Farmers must recognize the changing nature of the food industry. They must be willing to discipline themselves and adhere to contract provisions with their association which may call for more rigid specifications regarding quality, grading, volume of production, timing of delivery, and other factors necessary to meet specific market needs.

Buyers who are in need of large volume, uniformity, high quality, continuous supply, and definite delivery dates will usually pay for such specifications, and farmers through their association will be rewarded for helping the buyer meet them.

More and more, farm products must face tests along the way to consumption; tests for grade, tests for size and weight, tests for purity, and the like. The most severe test most farm products face, however, according to John Hopkin of Bank of America, is the "three-foot distance" test; that is, the distance from the grocer's shelf to the consumer's cart. If the product doesn't pass this final test, it is a failure. This, every retailer knows. It is important that more farmers realize this and support their cooperatives in meeting all market specifications.

1/ Galbraith, J. K. American Capitalism - The Concept of Countervailing Power-Riverside Press. Cambridge, 1952. p. 166.

VI. The Role for Bargaining Associations

A well-operated bargaining cooperative can have a very definite role in improving the coordination of production, marketing, and consumption. To be most successful in today's food economy, a bargaining association must adjust its organization structure, management, and membership relations to three basic goals:

1. To plan and coordinate the entire farm operation in advance to yield products wanted by the trade.
2. To program delivery of products in the required quality, times, places, packs, packages, and amounts necessitated by the operating and merchandising needs of customers. In other words, if specification buying is on the increase, the only businesslike way to meet it is with specification selling. To the extent that this can be done, the bargaining association can improve its market power, and also contribute to coordination of the whole food industry.
3. To speak for the farmer in the new markets in which the prices of his supplies and his products are determined.

These goals must be sought in a world of technological change, increased capital requirements, changing marketing methods, and increasing scale of operations of plants and firms. It can be done if we work at it. As cooperatives become larger and more complex, members may have to surrender some decision-making power to the central group. The challenge is to develop procedures for making fast and sound decisions by management with prompt and meaningful accounting to members.

This is not easy now, and will be more difficult as cooperatives grow larger. If farmers will associate themselves into bargaining associations and produce for a specific market, sold to by such bargaining associations, farmers can begin to participate in the business of food distribution on terms more nearly equal to that of the large purchasers of their product.

A bargaining association may negotiate prices and contract terms for a specific market which would be filled by a specific number of producers within the association. In this kind of situation, after it had a chance to get into full operation, producers who had no contract with the association would be very unlikely to enter the production field because it would be a high risk business to produce for an unknown market when everyone else was producing for a known market at a known price.

The bargaining association, where possible, should attempt to secure full supply contracts to the processing firm or direct to the retail firms, as the case may be.

An effective bargaining association could facilitate more direct marketing because farmers would be producing for a known market, non-essential activities could be eliminated, and certain efficiencies and savings could be made. Such efficiencies could be passed forward to the processor or consumer or both, or backward to the farmer, depending upon the relative bargaining power.

The farmer would have the advantages of more price stability, certainty of a market, and better knowledge of profits and losses before he enters production. And with a strong bargaining association, he would be in a better position to obtain his share of efficiencies and savings as they developed.

Not to be overlooked is the fact that the farmer would be required to take on new responsibilities of living up to his contract in all details. This might be hard for him at first, but he can be educated to it, especially if his net returns increase.

We have all seen rather wide use of contracts between growers and processors of vegetables. By use of such contracts, growers are able to assure themselves before planting of a market at a known price for the production from the contracted acreage. Processors similarly are able to assure themselves of a source of supply subject to variations in yield at a predetermined price and to exercise some measure of control over what is produced.

In my opinion, such contractual relationships have contributed materially to the stability of the vegetable processing industry in terms of producer prices, income, and acreage, and have contributed to the overall coordination of production and marketing.

Strong bargaining associations developed by farmers in some areas of the country have been instrumental in developing the types of contracts used and have negotiated annually for price and other contract provisions. There is nothing wrong with this type of production-marketing coordination, if the contracts are sound and equitable for both parties. A bargaining association with a high proportion of the product volume and loyal membership support is in a good position to obtain an equitable contract.

It must be recognized, however, that there is a market price which balances the supplies and sales and which will facilitate the product moving through the channels of trade. Consequently, demands made by the bargaining association must be realistic and based on the actual conditions of supply and demand. The day is past when the man who can shout the loudest and pound the table hardest gains the advantage.

While growers cannot expect to bypass basic economic conditions with cooperative bargaining, in many areas these associations can provide substantial economic benefits to growers. By reducing the number of sellers, by providing products and services that distinguish them favorably from others, by having some control over the amount or flow of product going to various outlets, by providing a focal point for growers that is recognized by other segments of the industry, and in other ways, cooperative bargaining can be a tool that permits growers to exploit specific conditions in certain imperfectly competitive market situations.

Market power can be improved through greater knowledge of the marketing process itself. Such knowledge and improved know-how in the techniques of bargaining can do much to increase returns from bargaining efforts.

There is also power in developing a reputation for honesty and fair play and establishing a negotiation climate that will bring processors to the bargaining table in a negotiating mood, where they are less likely to discriminate against the association because of its efforts to achieve group strength.

Bargaining power, whether achieved through voluntary attraction of the membership or in conjunction with a market order having volume controls, can be used only within the constraints of the law and within the constraints of the overall supply and demand situation. Thus, the actual influence which bargaining associations have on prices is often neither as great nor as lasting as producers would desire.

In view of statements made this past year by prominent Government leaders concerning the role of cooperatives in "strengthening the farmer's muscle in the marketplace," it may be a good time to examine thoroughly the legal climate in which bargaining associations operate. There may be good possibilities to enact additional legislation or amend some which would give bargaining associations added authority to do a more effective job.

VII. Conclusions

Undoubtedly there will be a greater degree of coordination of production, distribution, and consumption in the years ahead. There will be increased use of stiffer contracts between producers and processors or retailers. This will take place because of the need for the whole food industry to fit together what consumers want and will buy with what farmers produce so as to avoid costly waste. The movement of products throughout the system must be streamlined to eliminate unnecessary steps and services so as to increase net returns to producers and avoid unduly high prices to consumers.

Instead of fearing the moves made by processors and retailers to coordinate production and distribution, farmers must develop strong, aggressive leadership to analyze the possibilities and sit down with processors and retailers, where feasible, to develop a better system for doing the job--a system that will be fair and equitable to both sides. Bargaining associations have a definite role to play in such a move.

In the words of Henry J. Eavey, President, Supermarket Institute,

"We can no longer work in separate compartments saying one to another, 'This is your job--that is mine.' We must experiment daringly and let the economic results determine the best methods. The food production line of the future must be a smooth continuous flow of products under constant control with no semi-processed stages, no moving from one 'batch' to another." 2/

The problem of working out a fair sharing of the food dollar among producers, processors, manufacturers, and distributors will call for a cooperative attitude and a degree of future-mindedness which is not afraid of change. The challenge is to join hands, close ranks, and agree on procedures for getting the job done.

2/ Eavey, Henry J., Changing Patterns in Food Distribution. Ninth Conference, National Institute of Animal Agriculture, Lafayette, Ind., 1959. p. 35.

BARGAINING TECHNIQUES IN LABOR NEGOTIATIONS

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In preparing to meet with you today I did a little homework. That homework, in addition to gathering up some of the experiences and ideas I have regarding labor-management relations, consisted of reading some of the information pamphlets of the USDA Farmer Cooperative Service and some of the proceedings of the national conference meeting of 1964. So, while I'm an outsider when it comes to the work of cooperatives in the bargaining arena, I'm nevertheless intrigued with some of the similarities that appear between the labor-management bargaining system and the cooperative bargaining system.

Some Definitions

Let's take a look at the general concept of collective bargaining. What is it?

A "bargain" implies a kind of an agreement or a commitment to perform in a certain way or to pay a certain price.

"Collective" has come to mean, in the context of our present society, the representation of groups in a bargaining effort.

"Collective bargaining," therefore, can take place wherever organized groups find cause for negotiation over some condition or situation involving both and which must have a basic commitment or agreement in order to exist. Collective bargaining in our society has had its greatest recognition in the field of labor-management relations. I am about ready to predict, however, that it may receive an equally great recognition in the area of producer-processor relations in the field of agriculture.

Some Requisites for a Collective Bargaining Situation

Several basic conditions or requirements are inherent in the collective bargaining process. Let's examine a few:

1. There must be organized groups with decision-making power in respect to their member-constituencies. This means that whatever the group, be it farmer-producers and growers, industry employees, public employees, and the like, this group must have some sound organizational structure and that structure should provide for the opportunity for the group, as a group, to make decisions.

2. There must be a recognized opportunity for negotiations to take place. In the labor-management relations field, the legally recognized opportunities involve wages, hours, and working conditions. In the producer-processor field, the opportunities involve the establishment of prices and marketing procedures and conditions.
3. The organized groups must then engage in negotiations over the terms of the "bargain." Bargains may be made without negotiation of much magnitude...such as I'll give you 10 cents for that cigar and the cigar maker says...no...I want 15 cents for it. Then you say you'll give him 12 cents and he says okay!

But more extensive negotiations are implied in the business of collective bargaining wherever it may occur. In this setting, the parties to the bargaining relationship must exchange much more information before a bargain can be struck. The exchange of this information in the form of demands and refusals, in the form of supporting arguments for both, and the like, is the basis for the actual work of collective bargaining. In this setting, bargains are rarely made with the mere presentation and acceptance of the terms.

4. A fourth requisite is the existence of an area of freedom in decision-making that is recognized by both parties to the bargaining relationship. This freedom to make decisions about its own situation is a very significant matter.

In the field of labor relations, the freedom to make decisions and to bargain about these decisions was fought for and won by labor unions in this and other countries. It means that unilateral decision-making power of management had to be cut somewhat and the amount of reduction was then placed into the area of joint decision-making process through the bargaining negotiations.

Several legal stages in this development were significant. The Clayton Act of 1914 provided for lawful picketing and other union activities. The Railway Labor Act of 1926 required employers to bargain and not discriminate for union membership. The Norris-LaGuardia Act of 1932 prohibited Federal injunctions in many areas. The Wagner Act of 1935 established the basic right of unions to bargain with management and the legal necessity of management to bargain with unions over wages, hours, and working conditions.

The Taft-Hartley Act of 1947 provided controls on both management and labor in the conduct of its bargaining and also provided some means whereby both parties could, at their own voluntary action, bring in a third party to assist in making the decision.

Some General Similarities Between Cooperative Bargaining and Labor-Management Bargaining

1. Recognition

One of the first areas of similarity is the function of being recognized or getting the right to bargain. The cooperatives must have enough members to have the power to represent the production in an area and thus exert some strength in the bargaining with the processor. The labor union must have enough members to represent a majority of the workers in a given work situation. Both depend upon the strength of membership for strength in bargaining. And for both of these the recognition of the particular unit as a representative of the constituency is important. In labor this is determined by supervised elections.

2. Legal Sanction

Both the cooperatives and labor have gone through periods when their efforts to bargain collectively have brought down the wrath of those with whom they wish to bargain. Before the Capper-Volstead Act, cooperatives were more frequently running into restraint of trade and anti-trust actions. That act provided for a degree of freedom to organize and bargain. I have already mentioned some of the labor-management relations acts that have been important in the rise of organized labor. The cooperatives have not, as yet, reached the sophisticated level of bargaining that would require a Taft-Hartley type of act for them. But I predict that the time may come when such will be necessary.

3. Organization

Both unions and cooperatives must have strong organizations in order to advance their mutual needs and goals. Both groups must have constitutional organizations and both groups must provide for the rights of the individual members to have a place in the decision-making of the total group.

4. Bargaining

Both groups bargain with those who control the financial source and through this bargaining arrive at contracts which have the protection of the law.

5. Salesmanship

Both groups must convince their counterparts of the values of collective bargaining. In this respect groups have a hard task. There is still a large group of management that resists the efforts of the union to organize and bargain. I gather from the literature that there are many resistances to the efforts of the farmers to organize and bargain over the disposal of their products at a fair price.

Labor-Management Bargaining: Contract Negotiations

I could go on and explore the similarities of the two systems, I'm sure, and discover many differences also. But I shall let you do that for yourselves. What I propose to do at this point is to leave the cooperative bargaining situation to you and to describe in broad form some of the things that take place in the contract bargaining between unions and managements as they try to arrive at the terms of a contract. I will go as far as time will allow because there can hardly be any limit to the descriptions of the processes. But you can pick it up from where the bell rings and explore as far as you like.

Bargaining vs. Problem-Solving

To me, collective bargaining is a continuous type of interaction between organized labor groups and management. Such bargaining is in contrast to situations where parties are fully engaged in joint problem-solving or in raw and primitive competition. There is a type of problem-solving taking place in collective bargaining but it does not yet fit the model of joint problem-solving that has been propounded by so many of us as a means of solving problems through discussion group processes.

Collective bargaining takes on unique forms of trading, negotiating, suasion, manipulation of forces, accommodation, and ceremonials all wrapped up in a kind of competitive package. An age-old process, collective bargaining is a kind of conflict where the parties to the situation are attempting to reach an area of agreement which, for either side, has the greatest advantage for it and the least advantage for the other side. This suggests a type of bargaining game. But so far, we have been unable to define the limits of the game or the full nature of the bargaining.

The forces that are operating to cause movement from position to position toward the eventual agreement are complex and involve much more than is present at the table itself. These forces are not yet easily reducible to precise listing or weighing. Yet, they are essential prime movers in bargaining.

I shall attempt to identify only some of the broad phenomena at various stages of the contract bargaining. Precise and detailed accounts of such events will require intricate and detailed case studies. Such detail is for another time and place.

Prenegotiation Events

A series of rather significant events take place before the time that the face-to-face negotiations get underway. Both the company and the union anticipate the termination of the old contract or when a plant is newly organized, both parties are anticipating, with various attitudes, the problem of developing a new contract. This anticipation involves several forms of activity.

Union Anticipation.--Inside the union a number of things may be happening that have a significant bearing on the contract negotiations. If this is to be a new contract, the struggle that took place for the organization of the bargaining groups has created a kind of anticipation of gains to be made. Often, when there has been no contract at all in a company, the feelings of the union group will be quite high as a result of the newly organized local. Further, the existence of this organization may be a result of some critical problems in the labor force that the company has been unable to solve and that have cropped up in the form of employee organization.

Or, in the case of a new contract negotiation where a new union has supplanted another union, the change in leadership is the most significant factor. But along with this change in leadership may be an increase in the level of expectancy for personal improvement among the rank and file.

In any event, however, the rank and file membership will probably go through a series of events that leads to the bargaining table. The primary events are those that occur between individual workers either on the job or in their other interpersonal contexts. Here, grievances are discussed, gripes are aired. There are problems with the foreman, problems with the paycheck. Vacation schedules, pension plans, health insurance, and the like, come in for casual discussion.

These casual discussions may resolve problems. Or, they may persist within a work area or a plant with an increasing amount of discussion about the particular problems.

For example, a worker had lost his holiday pay for the 4th of July because he had not worked on the day prior to the holiday. He had appealed to the company with the explanation that he was ill on the day before the holiday. The company had checked and could not verify the worker's contention and thus refused to allow him the holiday pay. This man not only made a report to his steward on the situation, but he discussed it heatedly with his fellow workers both on and off the job and with such effectiveness that he caused them to feel threatened about their future possibilities in such situations. The steward submitted the matter as a grievance, but there was such a backlog of grievances that it would be several months before the matter could be resolved.

This instance is not untypical of many types of problems. The significant factor here is that the interpersonal communications will have a bearing on the coming negotiations not only in the attitude the workers will have toward the company during the negotiations but in the actual demands that are presented to the company.

Union Preparation.--Prior to the opening of the formal negotiations, the union leadership will typically bring the membership together to discuss the preparation of demands. It is at this time that the leadership will hear from the members the demands they want to make of the company. The list is usually a very long one.

The essential process is that of getting from the membership some reading on the problems and needs over and above these that have come to the attention of the local leadership through the normal course of events.

Either by constitutional provision or by special election and appointment, a committee is chosen from the membership to represent it in the upcoming negotiations. This committee then meets with the union leadership and puts together its set of demands. This process is not consistent in all unions. There is a range of such preparation from casual informal lists to formal and carefully prepared demands with backup evidence and support.

The more capable union leadership will seek to gather the data and the supporting information that will give strength to the demands. The committee itself is often brought into this search. Other leadership, probably just as capable, will know what the source of the situation may be and will prepare its demands in a less formal way. But, whether it is through formal or informal meetings, the strategy, the demands and something of the range of possibilities for settlement are given attention at this phase.

So what you have, then, is a developing set of demands that grows from the membership and is finally reflected in the position of the union at the bargaining table.

Sometimes the union leadership will start preparing the membership for the contract negotiations months or even years before the expiration of the old contract. In fact, some of the more farsighted leaders of large national unions think ahead through three or four contract openings and attempt to build toward long range objectives each time a new contract is negotiated. We can see this in the development of such things as pension plans and health and welfare provisions.

One of the targets of this preparatory period is to build the militancy of the rank and file. Some leaders have started this process as long as a year ahead of schedule. By the time the negotiations have started, the feeling is high. This gives the bargainers more strength at the table.

But it also can work in reverse. Once the professional bargainer finds an agreement that's possible, it may be hard to sell to a militant membership unless all he promised is in the package...and it rarely is. In a case on which I recently sat, the local secretary had stirred up the membership to reject an offer worked out by the international officers and the company. Later it became apparent to him that he could not deliver on his promises. He attempted to get the men to go back to work so that he could at least protect their jobs but the feeling was then so high that they would not go for his suggestion and insisted that the strike continue until the full demands were accepted. This never happened and he was eventually deposed.

But the membership is not the only source of the union demands. We might, for the sake of clarity, classify the above developments as being from the "intra-union" source. There are "inter-union" sources that also bring problems to the bargaining table.

Outside.--The existing situation in other companies and the patterns of contracts held by other unions or other locals of the same union in the same or related industries will have their effect on the development of the bargaining table demands. Probably the classic example of this at the present time is the effect of the national agreement worked out by the Teamsters.

National pattern agreements were designed for the various types of teamster contracts: Over-the-road, dray, delivery, and the like. The national, regional, and local leadership of the union were trying to bring the whole industry into line and eliminate disparity between wages and benefits in various contracts. Thus, the nature of this master contract has had a definite effect on the nature of the demands made by each local in its particular negotiations with a particular company or association.

Again, let's assume there are a group of fairly large industries in an area, and let's say the machinists have the predominant number of workers organized in these industries. Smaller companies and associations who have machinist contracts will find themselves being pressed to accept the same terms that the larger groups have accepted in the same type of work.

Or, for example, an association of job shops may work out an agreement with the union. Then, those job shops that are not members of the association but are union shops will find that they are put under great pressure to accept the same terms upon which the larger association has agreed.

Other types of inter-union pressure occur in the situation to effect the demands a given union may devise. In the oil industry, for example, we have seen the major oil companies jockeying around during their negotiations to see who was going to set the pattern. Then once there was a pattern agreement established by one company, the other companies would begin to fall into line (although not without pressure). The essential thing, however, was the pattern setting type of settlement.

The UAW, for example, went to great efforts to develop its demands through both the intra- and the inter-union study and analysis. What proposals were made at the bargaining table were designed after great study and development almost from the ground up.

Management Anticipation.--Management, too, undergoes a period of prenegotiation anticipation and preparation. In the more enlightened managements, this is a continuing process.

Some industrial relations offices keep a contract workbook. In this book is the current contract...and along with it are spaces for recording problems that have arisen in relation to any part of the contract, arbitration awards over disputed matters, and a space for writing in proposed changes that should be made in some subsequent contract. This kind of preparation is on a year-round basis.

Other companies, not so well oriented to their bargaining responsibility, will give no thought to the bargaining over the contract until they receive a written notice (required by law) from the union that the union wishes to change the contract. At that point such companies will then begin to plan for the bargaining.

Some managements employ professional industrial relations consultants whose job it is to keep abreast of things and to confer with the company in preparation for the negotiations as well as conduct these negotiations. In smaller companies this is not possible. Thus, the president, the vice president, the personnel director, or other such officials are usually the ones who must sit down and decide just what they are going to do in the situation and to try to anticipate what demands the union is going to make.

Management Preparation.--Whether large or small, however, the more enlightened company groups plan ahead for this bargaining by various types of discussion. The company, too, is concerned with the patterns set in the area and by the competition. It is also concerned with what its own limits are in the way of money, principles, and purposes.

Here we run into almost as wide a variety of situations as there are companies. If the company is a small one, the tendency for the decision-making power to reside in the president or chairman of the board of directors is very high. In larger companies, the decision-making power is more diffuse and the industrial relations group more professional, but its ability to handle the decision-making is contained within certain limits.

The establishment of these limits, the determination of the changes the company wishes to make in a contract, the analysis of the area patterns, and the like, usually take place in a series of conferences at the top level of the company.

Sometimes, however, the planning will actually take place at the upper-middle managerial level and be submitted to the higher level for approval. This upward and downward communication of the planning stages is filled with difficulties and "boobytraps" unless the people involved are working within an organization that has resolved some of its organizational hierarchy problems.

There are still a large number of companies that operate under a monolithic organizational structure. The chairman of the board or the president of the company is the one who holds the only decision-making power within the organization. He will, before negotiations, determine how much is to be given, when it is to be given, and to whom it is to be given. When, under pressure of bargaining, this may not do the job, he must again be contacted for orders. He rarely sits at the bargaining table himself.

In a recent strike case in California, the president of the company had given permission for the plant manager and negotiation team to grant a wage increase of 8 cents for each of 3 years. Under pressure of a contract deadline and the threat of a strike, the plant manager took the bit in his teeth and offered 9 cents if it would prevent the strike. The union committee at the bargaining table agreed to recommend the 9 cents on that basis. The membership voted down the proposal and, without further ado, went on strike.

The plant manager, of course, called "foul" but to no avail. The president reprimanded him and when later it became apparent that he would have to change his position in order to get the men back to work, his hands were tied so that he could not move in any direction.

The result was that the strike extended far beyond any reasonable time simply because the president of the company was unwilling to face the facts in the situation and to come face to face with the negotiations and examine the situation at first hand. He was actually so insulated from the actual facts of the bargaining that he had no real knowledge of the problem nor of the pressures of the bargaining table. Obviously there was poor communication between him and his plant manager. (Eventually the president had to be removed by the parent company before an effective decision could be reached.)

Many management people argue that such distance is necessary for them to maintain an objective mind about the thing and to protect themselves from being carried away with the pressure at the bargaining table. There is some truth in this, but there is also a time when the principals of a company need to come pretty close to the real situation so that their decisions can be made on the basis of reality instead of a company dream that doesn't exist or on the basis of information screened by the negotiators concerned with maintaining their own status and image.

Likewise, there is some argument to suggest that management should not freeze its position nor make firm commitments until it has begun to feel the length and strength of the union demands. This attitude is contrasted by that expressed by a very large electrical concern of the United States which has developed the procedure of working out its position before the bargaining takes place and then putting it on the table and subsequently making no move from this.

The assumption made by the latter company is that it has thoroughly and honestly and effectively studied every possible angle to the situation before it works out its proposal, and so when the proposition is put, it has taken everything into account.

The one great weakness of the matter is that it cannot take into account the bargaining table pressures nor the factors that develop during bargaining. These factors can work both for the advantage and the disadvantage of the company, but they are not stable factors that can be computed beforehand with any precision.

Throughout this prebargaining period, several types of events are typical: Planning meetings of responsible officials in both union and management groups; collection of related information from outside the immediate bargaining groups to ascertain the state of the industry or area; messages up and down the organizational structures of both groups aimed at coordinating, developing support, and clarifying the various positions that are anticipated. We have mentioned the contexts in which these occur.

Public Relations.--At the same time, either or both parties will be releasing some information to the press and radio for the purpose of developing community or public support for their positions. Notable are the press releases coming out prior to the auto negotiations both from the United Automobile Workers and from the motor companies. Each party engaged in a kind of shadow boxing via the press. This may have had several uses. The obvious one may have been to develop public sympathy with the particular point of view. More subtle, however, is the fact that through this method the parties are already beginning to test the strength of their demands and to telegraph to the opposite party some idea of where they expect to go. This may mean that the bargaining is actually beginning at this stage.

Inside.--Another area of communication that may occur during this preparatory stage is that which takes place by "informers" on both sides of the fence. The company will get information from certain workers as to what kinds of things are being talked about in the "closed" meetings of the union. Likewise, company people will at times reveal their direction by unguarded comments to workers or union officials.

For example, there is the case of the manufacturing plant that lost an arbitration over the interpretation of a seniority clause. One of the definite plans of the company was to change the contract language to provide more protection for management. In a casual conversation with one of the stewards, a foreman referred to the arbitration and stated that, "We're going to have that changed before we sign another contract and you can lay bets on it!" The steward immediately reported this to his bargaining committee and preparatory work was started to prevent such a change from taking place.

Usually, however, the company seems to have a greater advantage through this type of communication because of its relationship to all the workers. The company, also, can contain its strategy discussions within a small group of officials and thus keep vital information from leaking. The union, unless it also contains the discussions into a small group such as the bargaining committee, is usually more visible in terms of what it is planning to do. This is why many union leaders are having some difficulty in planning negotiations.

Role of Professional Union Leadership

The present resurgence of certain union memberships, supported by the Landrum-Griffith Act, is making the work of the professional union leader more and more difficult. Unless he keeps his membership informed and a party to the planning, he may find that as he negotiates he has no support in the rank and file for what must be done.

At the same time, the rank and file cannot be present at the bargaining table and thus cannot know the full dimensions of the pressures and situations that are faced there. So, unless the union leader has the full confidence of his membership he is out of luck. And, conversely, the privacy of the bargaining table is necessary.

This becomes very difficult in a situation where the membership is constantly being whipped into a fervor by competing leaderships within the political structure of the union. This accounts, in a part, for the increasing number of contracts that are being rejected by the union membership when the professionals at the bargaining table have reached what they feel to be reasonable agreements.

There is no doubt that this trend in bargaining relations has been encouraged by legislative actions of recent years. Its effect is to make the actual agreement-making process through bargaining more and more difficult. Companies are discovering that they cannot rely on the professional bargainer who represents the union as much as before because he may, in turn, be subject to being deposed or caught in the shifting political winds of the local union.

The frequent result is a kind of anarchy which makes the bargaining extremely difficult. I suspect a whole new concept of intra-union communication may have to develop before this difficulty is bridged. It stands clearly that if bargaining is to be at all functional, it must be conducted by responsible professionals. The tremendous complexity of the bargaining is such that the casual and uninformed and untrained cannot hope to succeed. Thus, when it is possible for the rank and file to shift so rapidly from position to position on the basis of political expediency within the union, its total strength is weakened. The result, however, is much more disastrous for management than labor because under such conditions the company cannot find any sound base on which to develop its proposals.

It is becoming more and more apparent that the old axiom, "democracy cannot exist without responsible and capable people" is more real than ever before. How will the union leadership be able to raise the skill, the understanding, and the appreciation of the bargaining process among the rank and file so that its democracy can work effectively? I wish we knew the answer. Management suffers under the present condition often even more than the union. Do cooperatives have the same problem?

For example, in a recent labor-management case in a Western State, the professional negotiating team composed of representatives of the rank and file and members of the international leadership worked out with the company an agreement that seemed to be practical and workable. At the ratification meeting the union representatives attempted to support that agreement. A minor union official, struggling for a place in the sun, rose to his feet time and again and succeeded eventually in arousing the rank and file to a state of rebellion against the agreement, and it was voted down in a written, secret ballot. Immediately a strike vote was taken and within 3 hours the plant was struck and work stopped.

The company felt that it had been treated badly because an agreement was reached with the committee. The committee felt that it had been torpedoes by its sub-leadership. But the union and the company both suffered through a strike of long duration that did neither group any good.

I consider this to be a problem of communication. The problem has to do with the context and the form in which responsible communication should take place. It is becoming more and more apparent that something needs to be done in this area. I suspect the cooperatives face similar problems

Much more could be said about the prebargaining procedures. I have selected only a few of the types of things that happen. It is important to note that in many smaller companies and locals very little preparation is actually made. These cases are probably more frequent than should be and represent a basic weakness in bargaining.

It is in these cases, many times, that sudden, unplanned strikes occur to the harm of both parties. Actually a whole range of preparatory activities takes place. Each industry and each union and their respective individual plants and locals have their own procedural habits and these, in turn, are conditioned by the nature of the particular situation which exists at any given time and the character of the leadership of the organizations at that time.

At the Bargaining Table

Face-to-face bargaining begins when, by initiative of the union or the company (in most instances the union), a meeting is set up. The law requires that either party wishing to change or terminate the contract must file a notice with the other party 60 days before the expiration of the current contract. If a dispute still exists, the parties (either individually or jointly) are required to file a notice with the Government (Federal Mediation and Conciliation Service) 30 days before a strike or lockout can occur. Most unions, as a matter of form, file this dispute notice with the mediation agencies at the time they give the 60-day notice to the employers. This clears them in case a strike should occur after the contract has expired.

The first sessions of the parties in face-to-face meetings are usually spent in the union making its demands and the company doing likewise or rebutting the union requests. Several characteristic events take place during this time. The presentations of the union are usually long and involved. The list of demands is presented either in writing or orally or both. Reasons and justifications of the demands are presented.

In these early sessions the relative roles of the spokesmen and the other members of the committee begin to be clarified. In the case of the union, the ranking officer, the business agent, or the international representative of the union is usually the spokesman. He will make the presentations. On the company side there are even wider variations.

Various people have been known to assume the spokesman role: The special attorney for industrial relations, the industrial relations vice president or director, the personnel director, the company president (rare), the plant manager, and the like. In the case of an association, the spokesman is usually a lawyer or consultant hired by the association.

It is interesting to note that not always is the spokesman the key person in the bargaining team. Frequently a company vice president or higher official will be on the team, but the special attorney will conduct the negotiations. On the union side, the business agent or the international representative may be the spokesman while the power center is in the local union president. However, up until the past few years, the union spokesman had considerably more power than the company spokesman in getting acceptance or rejection of a proposal from his constituents.

It is during this early period of negotiation that we find a wide range of types of presentation. In some cases the union demands are presented with violent and steaming oratory. In other cases they are set down carefully and methodically and spokesmen attempt to maintain an air of solid objectivity about the proposals.

In most instances the demands are considerably in excess of what a settlement could be. It is important, however, to note that while most experienced negotiators have a pretty good idea of where a settlement may take place, they also realize that it may take a great deal of bargaining before that point is reached. In many instances, also, there is really no perception, at the outset, of what terms a settlement may contain because the forces at play have not been experienced nor assessed.

Committee members may or may not take part in these early presentations. In some cases the committee members cut loose with strong statements and violent feelings. This has been described by some as representing a kind of catharsis that is necessary at the bargaining table. I am less and less inclined to think this is true. I interpret it, whenever it happens and whoever it comes from, more frequently as being a means of providing a way for that person to feel that he is performing what needs to be done to represent his constituency. Or, to put on a show for the benefit of the membership.

It is apparent, however, that strong words and strong feelings are expressed quite frequently at this stage of the negotiations as a way of trying to emphasize the importance of what is being demanded or rebutted. Professional negotiators have come to expect this and are not usually disturbed by it. They are excellent performers and, like good actors, are objective about their performance.

Sometimes the union leader or spokesman will make quite a show of his presentation in order that the members of the committee will be made aware of the intensity and the "courage" with which he attacked the company and will report such back to the membership. This, then, represents a kind of morale-building procedure, and it takes place on both sides of the table although the words and phrases are different.

Reading the Signals.--One of the functions of this early set of demands is to determine not only how far the other side may be willing to go but how far the side making the proposal can extend its own thinking on the matter. There are all kinds of subtle messages passing back and forth during these diatribes. For example, after a union has taken a lengthy time to present its demands, the company may recess and then come back with a counter-proposal or a set of answers to the demands. When, in replying the company will purposely or accidentally leave something out of the list, the procession on the union side may take

several meanings quickly: It may mean that this is an area in which the company is going to make some concessions; it may mean that it was just forgotten; it may mean that the company intends to do nothing about it at all; or it may mean that the company is trying to get it out of the negotiations and is leaving it out to determine whether the union will pick it up again.

Just which of these messages is the one that is intended and how is this determined? Here we find the professional bargainer and his counterpart on the other side of the table the keys to the answer. If these men have worked with each other in other bargaining settings, they will have more of a chance to know what the omission meant. If they have not, they will test the matter by being sure that it is included in a reply or is called directly to the attention of the company.

Another interesting communication form that frequently appears is the manner in which either company or union indicates its position on any given issue. Sometimes one or both of the parties will spend a great deal of time on an issue that they know they are less likely to get accepted than those on which they feel they will achieve. Feeling that in order to get this demand, or acceptance of this position, they feel inclined to divert a great deal of attention to the matter. Conversely, it has also happened that those matters that either party feels will be washed out eventually are reported frequently but are not brought up for particular attention and discussion.

The order in which demands are presented also has meaning in the particular bargaining setting. If, for example, before the union will present its contract demands clearly to the company, the union insists that a number of grievance problems be worked out, there may be reason to suspect a strong rank and file resentment toward the company. Or, it may mean that the union is playing for time to test the strength of the company, and that the issues involved in the grievances will give it a guide to what kinds of demands for contract changes might be posed. It may also indicate that the leadership needs the support of key individuals in the membership, and the settlement of the grievances will set them up with more support.

The kinds of attacks that are made during the early sessions have some meaning in terms of testing out specific individuals at the table. It is rare that the same bargaining committee appears year after year at the same contract negotiations. When the parties are new to each other or new faces are at the table, there is usually some attempt to draw out these new persons and test their power and position. Usually both union and company want to know who the people are across the table and what their function is in the group.

It is significant that neither the union nor the company can dictate what personnel the opponents can select but they do want to know the cut of the personality that opposes them. Thus, discreet inquiries are made outside the sessions and some informal dossier assembled on a person. Often this is nothing more than some comments or a report about the person.

The testing of the new people at the table takes many forms. Some union negotiators are masters at the art of "needling" the opponents. The "needling" frequently takes the form of attacks on the company policy, on the company principals, on certain members of the company who are not present, or on the probity of the argument of the company spokesman. These ad personem types of attacks may have real meat on them and may represent a true feeling. But the chances are they are a part of the game and are a way of testing the tolerance level of the person to whom they are directed.

Some skilled company negotiation will reply in kind and this signals that they know what is going on and are quite capable of playing the game. Other skilled spokesmen will ignore the comments or charges but will work them into their replies at opportune moments. Still others ignore them completely. It is significant that this type of testing does not emanate only from the union side of the table. Company people also use this device to test out the tolerance or responsibility of the union members of the committee.

Before you get the idea that the early negotiations are consistently violent, let me assure you that they are not. In most cases they are relatively calm but spiced with an outburst once in a while. The skilled negotiators frequently tend to hold back on the pyrotechnics until they come to a more critical time where a fight is necessary. They have learned that it shows a great deal of weakness when you shout about every issue from the beginning.

Stage of Counter-Demands and Finding Real Issues.--Soon after the opening demands, counter-demands, and replies are disposed of, the parties may then start again through the list of demands and strive to eliminate those over which there will be no disagreement. Sometimes this is a lengthy process, and sometimes it can be done quickly. Obviously if there are over 100 issues on the table it is going to take a long time to reduce the matter to the core points in dispute.

During this stage of the negotiations several types of behavior may be noted. On some issues both parties may recognize a real problem. It is at this point that the parties may suddenly find themselves discussing the matter as a problem and may work out a joint resolution of the problem. Obviously the more issues that can be handled in this manner the better.

But inevitably the hard core differences will arise, and the parties will take firm stands on them. At this point we will see all kinds of categorical statements of position. The union insists that ... "we're not going to settle for anything less than 25 cents plus cost of living, and you might just as well get ready for a strike if you think you can chisel us out of it." To which the company might reply, "All right, take your best hold because we're not going to give you 25 cents." At this point the issue is clear and the parties will stand off from it and continue on other matters. (Keep in mind we're still in the earlier stages of the bargaining.)

Another way in which issues are disposed of is by trading. Both parties usually come to the table with demands or positions they know they won't get but for which they will hope to get additional concessions. Thus, for a time, there may be a considerable trading of concessions. This trading is not always an obvious matter. It is often very subtle.

A union, for example, may be pressing for an additional 10-minute relief time during each shift, and the company is insisting that union officers report to the main office of the company before going into the plant. Now these matters might not be related to each other. But one party may suggest that he will drop his demand if the other side will drop the proposal it is making. This is not so subtle. But a more subtle approach is to indicate to the other party that there may be room for some "movement" if certain concessions are made without naming any specific matter. This may lead to an exploration of what possibilities may exist.

It is significant that during this stage of the negotiations there is very little communication emanating from the bargaining table to the outside. While the rank and file of the union membership may be apprised generally that negotiations are continuing and the company principals are kept posted on the status of the company position, there are no emergency-type calls or contacts back to the constituencies until crises begin to arise.

Crises and Deadlock.--Crises begin to develop as the tradeable items have been exhausted and the hard core issues begin to stand alone. Further, as the deadline or the termination of the contract comes closer, the tension begins to mount. When both parties have come to the point where they feel they cannot give up any of the remaining issues without difficulty, they may begin to harden their position. This in turn may cause the other party to respond in a like manner, and a deadlock may appear quickly. Several things begin to happen at this point.

The first thing that happens is that one or both of the parties move for a recess. As soon as possible after the recess starts, there will be some direct communication back to and with the constituencies or the principals. Here the parties, separately, will take a good look at their own position and the position of the other party and evaluate the possibilities.

The degree and the depth of this analysis depend on the seriousness of the deadlock, the critical nature of the issues over which the deadlock has occurred, and the imminence of the strike or termination deadline. At this point, too, the strategy of the crisis behavior and preparing for the eventual outcomes may begin to form. The union committee may go back to its membership and, in reporting the status of the negotiations, ask for the support of the membership through a strike vote.

Having been granted the authority to call for a strike, the committee will then feel that it has increased its strength to support its position. It may, at the same time, test the membership on the limits to which it will go before a strike should be called. This results often in heated and lengthy union meetings of the membership and likewise supplementary meetings of the bargaining committee.

The company, on the other hand, may be doing almost the same type of thing with the decision-makers of the firm. Similar careful evaluations of positions and possible alternatives will be made. Failure to do this on many occasions has resulted in strikes or in protracted negotiations that led to disastrous consequences for either or both parties because of the lack of planning.

Sometimes the parties may make another try to work out a settlement after this review. If concessions are made, the process goes on until another deadlock is reached. But the second deadlock will be a bit more vital and difficult than the earlier one because of the greater significance of the issues still in conflict and the indications that the bargaining is now down to the really critical matters over which either party may stand or fall.

At these deadlocks, tempers are likely to rise and the across-the-table comments are likely to become sharp and bitter. Arguments are repeated again and again. Redundancy appears more frequently. Emotions begin to enter into the discussions with greater frequency.

One of the significant things that is happening at this point is that, while the parties may return from their constituencies with some room for movement and concessions they are not now so ready to lay these things on the table as freely as they did earlier in the bargaining and over less significant issues. The danger here is a real one. If one party begins to cut away some of its previous demands or to give up some of its stand, it can easily be interpreted by the opposite group as a sign of weakness and will result in strengthening the position of the party that does not make the change.

The danger of being caught in a "whipsaw" effect of giving away more than you plan to give away is very real at this point. It becomes apparent that while each party may have room to move, it is not able to communicate the nature of this movement to its opponent without putting its final position in jeopardy. Here is where one of the most significant communication problems arises.

Several ways may be used in dealing with this problem. Sometimes there will be "side-bar" conferences between the principal spokesmen without the knowledge of their committees. At this point the spokesmen will attempt to assess just what can be done and if possible work out a way of handling the matter at the table so that the committee groups will feel that they have moved toward the agreement themselves.

If this fails, the spokesmen may seek to involve more responsible or more powerful leadership. The purpose then is to bring additional pressure to bear to effect change in the position. However, few of the spokesmen on either side are willing to sacrifice their own pride enough to press this matter except as a very last resort.

Third Party Involvement: Mediation.--It is at this point, most frequently, that a third party can be brought into the negotiations with good effect. Here is the classical point at which a mediator can be brought into the situation.

There are other times, of course, when mediation is requested. Sometimes one of the parties will perceive that it is operating from a weak position and feels that it needs the assistance of the third party in understanding the full impact and significance of the opponent's position. Or, sometimes the parties, when they have a long list of issues, will call in a mediator to help them work out ways and means of cutting away at the huge pile of problems. But the classical moment of entry is that time when both parties still have some room to change but cannot because of the inability to communicate safely at the bargaining table and because of the inability to assess the full strength of the other side.

Mediators are brought in at the request of either party or both. The formal use of Federal mediators is arranged by the Taft-Hartley law. You will recall that I mentioned earlier the filing of the dispute notice 30 days before a strike could take place. These notices are filed with the regional offices of the FMCS. The notice is then screened, and if it covers a negotiation that is involved in interstate commerce, it is assigned to a mediator. The mediator then will contact the parties and will offer his services whenever they feel he might be helpful. If the situation does not involve interstate commerce, it is screened out. Where States have mediation services, the screened-out cases are referred to these agencies. 1/

1/ Keltner, John W. The U.S. Federal Mediation and Conciliation Service: Catalyst to Collective Bargaining. International Labour Review, Vol. LXXXVIII, No. 5, Nov. 1963.

The mediator tries to keep in touch with the parties during their negotiations and to keep track of the developments. This is to provide him with insight in case he is called into the situation. The reputation and the skill of the mediators in the area are well known to the professional people, and if the mediator has developed the confidence of the parties, they will discuss the situation frankly with him.

I do not intend to go into the procedures of the mediator in detail because that is the subject for other times and other discussions. The important thing to note here is that he is available to help in the situation at the request of either or both parties. He may, in critical cases of large national concern, move into a case at his own option. But this is a rare occasion and is usually backed up by considerable pressure from higher Government officials.

Neutrality.--The mediator's role is traditionally, officially, and practically that of a neutral at the table. He does not make the decisions. His function is to assist in keeping the bargaining alive and to prevent the breakdown of the bargaining process. Interpreted in another way, the mediator's greatest function is to assist the parties in their own decision-making. So long as the parties involved can work out their own destiny, they will not have to revert to outside decision-makers in the form of judges and arbitrators to do their decision-making for them.

When the bargaining and other joint decision-making processes break down, the freedom of the parties to make decisions for themselves is abridged and put in jeopardy. Bargaining is one of the many processes of decision-making that management and labor use. It is this basic process that the mediator is committed to preserve.

Confidence of Parties.--One of the essential tools that the mediator brings into play almost immediately is his ability to penetrate the confidence of both parties. Because he is a neutral and not a party to the argument, it is possible for each of the parties to discuss with him their basic problems and bargaining directions.

Most mediators will bring the parties together as soon as possible and will assemble them face to face. At this point the mediator will ask for a review of the status of the situation. He will often encourage the parties to present their arguments and will allow a certain amount of "letting off steam" that usually generates over the frustrations of the deadlock. If this cathartic expression does not lead to breaking the deadlock, he may then separate the parties and confer with each one in private.

Mediator Tools.--The mediator's tools are reason, persuasion, judgment from experience, and knowledge of the inner problems of both parties. Thus armed, he makes suggestions about ways of proceeding, argues with each party privately about the nature of its position, raises doubts in the minds of the parties as to the soundness of their positions, and conveys to each party some measure of insight into the problems of the other without jeopardizing either. This is not an easy process.

This brief description cannot begin to cover the broad scope of the activities of the mediator as he goes to work in an attempt to break the deadlock and start the parties on the path toward reaching agreement. But basic to his approach to the situation is an ability to listen and to sense the real problems that exist. The mediator, because of his experience, must be able to see through the "rhetorical elocution" that goes on and pinpoint the critical issues. He needs to be able to see the situation from the point of view of both sides.

Mediation and Communication and Recommendations.--One of the significant functions he performs in the deadlock is to provide each party an opportunity to reopen some channels of communication that were closed by the deadlock. You will recall that I mentioned that one of the characteristics of the deadlock was the inability or lack of desire of either party to show any move from its stated position for fear of putting its eventual position in jeopardy. The presence of a mediator allows each party to float "trial balloons." It allows them to test ideas with him that they could not test across the table without endangering their total position.

For example, in a recent case the company had proposed 9-cent increases an hour for each of 3 years of a new contract. The union was demanding 15 cents for each of 3 years. Upon conferring with the company, the mediator was told that it would be impossible for the company to reach the 15-cent figure and that so long as the union was going to insist on that figure, the company would have to prepare to take a strike.

At this point he inquired as to just how far the company would go in order to prevent a strike. The company indicated that rather than take a strike it could go to 11 cents but that it was not willing to make this as an offer unless it could be sure that such would bring a settlement. The company indicated that the 11 cents had been in its pocket for some time but that it was afraid to propose it for fear the union would assume that there was an additional amount possible if more force were brought to bear.

The mediator then conferred with the union in private and after some discussion pressed the committee to examine how firm it was on the 15-cent figure. The union revealed that it would strike if there was no more than the 9-cent annual increase. The mediator did not have enough information and pushed his questioning further. After a frank and serious discussion with the union committee and some private conferences with the spokesman, the union revealed that it could move off the 15-cent demand figure, but it could not indicate just how far down it felt the membership would be willing to accept without striking.

The mediator insisted it was important that he know at what point the union would consider the wage sufficient to avoid a strike. Finally, after several hours of private caucus, during which time the local officers of the union got in touch with the key sub-leaders of the local, he was told that in the judgment of the committee the absolute minimum that the union could accept would be 12 cents for each of the 3 years of the contract.

The mediator left the union and conferred again with the company and indicated that the 11 cents which the company had said was its limit might not prevent the strike. He then suggested that his information indicated that it was, however, so close that just a little more might guarantee a settlement, and he hoped that neither party would allow such a small margin to keep them from an agreement.

The company then asked for a caucus and discussed the situation at length while the mediator went back to the union and reported that the 12 cents might not get the settlement but that the margin was very small and that it would be a shame to allow a small difference to cause a strike when the difference would be lost before the first day of the strike was over. The union, also, asked for private caucus at this point.

Meanwhile, the company spokesman was on the phone in contact with the president of the company and various members of the board of directors. Finally the company called the mediator back and told him that the company could not probably exceed a 33-cent increase in the rates over the 3-year period, but that the most important consideration at this point was that the cumulative wage package could not, at any cost, exceed 66 cents for the 3 years.

The mediator then retired to his office alone and started figuring various ways of splitting this up. Finally he came back to the company with this proposal: 12 cents the first year starting at the beginning of the contract; 6 cents at the end of 12 months, 6 cents at the end of 18 months, 6 cents at the end of 24 months, and 6 cents at the end of 30 months. He pointed out to the company that this would make a rate difference of 36 cents at the end of the 3 years instead of the 33 cents the company felt it could afford. He then pointed out that the actual additional cumulative wage cost during that 36-month period would be only 65 cents and thus would meet the basic criteria that the company had set up. He argued that the rate increase would tend to give the union more reason to accept the package and that the total cumulative cost for the 3-year period would be within the company range.

Now this is an old technique known as "splitting the package." But it is often a useful one when some justification for granting an increase is needed and when some justification for taking less than demanded is required on the other side. Further, you will note that the mediator in this case took the information that the company gave him and worked on that criteria that seemed to be most significant in the eyes of the company, namely the cumulative cost figure. He played a hunch that the company would be less concerned with the rate than with the total cost. His hunch was a good one.

So, after checking back with its principals, the company indicated that if this kind of an arrangement would get an agreement they would make the offer formally. The mediator then returned to the union and pointed out that by the end of the 3 years the rates would be exactly the 36 cents that it was proposing but that if the union took the package in the split way, an offer from the company would be made. (It should be noted that the cumulative actual wage cost per hour for the 12 cents at the beginning of each year would amount to 72 cents.) The union held a private caucus and finally returned with the decision that such an offer would be accepted by the committee and recommended to the membership.

At this point the mediator brought the parties back together, and the company made the offer formally across the table, and it was accepted. It can be seen here that what the mediator was doing was reaching for a kind of formula that would provide the union committee with an argument justifying its acceptance of the split raises. It could do so on the basis of the final rate at the end of the contract term. At the same time it provided the company an actual cost figure within the criteria that the company itself had established. In this instance each party was able to justify its position.

This example demonstrates some of the functions performed by the mediator. You will notice that he did not make the decision but that he was able to suggest a formula that would meet most of the criteria of both parties and that aided them in finding an agreement. His work in exploring the positions privately and by testing the proposals was a significant communication function.

In still another case the spokesman for a local union was demanding that the company give wages and fringes that were in excess of what the pattern was in the area for the same union and similar companies. It was apparent that this particular local leader was seeking to make himself a hero in the eyes of his constituency. The situation had deteriorated to the point that he was committed so heavily on the position that he could not extricate himself without loss of face, and a strike was becoming a very real possibility.

The mediator dug this information out after some private discussions with the leader and with others. He then made some private visits to senior officers of the international union in the area and discussed with them what was happening and the potential danger of the situation.

At the next meeting of the parties the international union sent in one of its top negotiators to assist with the negotiations. By working with the local group for several days, he was able to bring its position down to a level within an area of agreement with the company possibilities and at the same time not destroy the general image of the local leadership.

The fact that the international representatives of a union can work thus effectively is a significant factor in bargaining. The other side of the matter should also be noted. When it appears that a local company is forcing a local union below existing patterns and rates because of a weakness in the rank and file membership, the international will often send in special representatives who will give aid to the local leaders in cementing the will of the local members and in getting aid and support for a strike if necessary. Note again, these international officers are professionals who know the nature of the system and the total possibilities in any given situation probably better than even those quite close to it.

It is much more difficult to get to the upper levels of a company because of the more rigid organizational structures that exist in most companies and because of the built-in philosophy of management that the decision-makers should be kept away from the bargaining table for their own and their company's good. Whether this is practically and functionally true is not a matter upon which there is agreement. I feel that it depends a great deal on the nature of the management leadership and the decision-making processes that are used within a company.

- Summary

There are more things missing from this account than there are included which deal with the factors at the bargaining table. But what I have attempted here is to demonstrate some of the various basic functions and contexts in which these processes take place in the particular system called collective bargaining. I have not had time to discuss the system that develops after the contract is signed. This brings into play a different system of events.

I hope you have been able to detect from this account some similarities and differences between your bargaining and the labor-management bargaining. I have tried here to give you a capsule description of some of the events of the labor-management situations. Please don't make the mistake of assuming that this is exactly the way all situations occur. Each one is different. You will find, however, many basic trends, and I think we have identified some of them here.

Finally, I am greatly encouraged by the growth of collective bargaining among the cooperatives and agricultural groups. I believe that free bargaining based on voluntary membership and free decision-making can have a very significant effect on the economic security of our Nation. Your work in bargaining is certainly extending this principle.

X BARGAINING TECHNIQUES IN MILK NEGOTIATIONS +

Glenn Lake, President
Michigan Milk Producers Association
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and President
National Milk Producers Federation
Washington, D.C.

This paper deals with the experiences, processes, and observations of the Michigan Milk Producers Association (M.M.P.A.)--the results of many years of bargaining for its members. It does not purport that the methods used are the only techniques available nor that they work in all areas in the face of all conditions.

It is, however, a recitation of M.M.P.A. philosophies and procedures that have worked reasonably well and have added millions of dollars to the incomes of Michigan dairy farmers.

Cooperative Bargaining

To bargain means a lot of things. To successfully bargain for a price for milk or any other agricultural commodity, one must open many facets.

Too often it has been thought that the only way milk prices or marketing conditions could be improved was through a spectacular "milk strike." The words "milk strike" are repugnant to most farmers because this type of action has always been accompanied by extremist demands, emotional action, coercion, milk dumping, violence, and destruction of property. Such methods are dangerous, and they are unsound. They never have been and never will be successful. What is worse, the ill-will created, between farmers, neighbors, and families, actually divides and weakens farmers' bargaining position.

So let us talk about bargaining in the modern sense.

Successful bargaining is based on the relative power possessed by the participants. Farmers cannot bargain successfully unless they have as much or more power than the party or parties they are bargaining with. Therefore, success or lack of success is determined by the difference in bargaining strength of the participants.

Farmers Must Be Organized

The first legal and economic requirement in bargaining for milk prices is that dairy farmers be organized--in a dairy cooperative with effective size and strength.

There must be some "muscle" in the form of control of the supply or product and to a great extent--I mean actual physical control through handling, processing, and transportation facilities with adequate financial strength to operate them. There must also be enthusiastic understanding and united membership support. Bargaining from a position of strength known to both sides of the bargaining table--rather than from a position of unknown numbers and unknown strength--is a must.

To be sure, bargaining strength means more than just tough talk--any negotiator, wise or unwise, skilled or unskilled, can talk tough. To a certain extent, of course, talk and persuasion are involved. But in order to have really persuasive power there must be the ability and the willingness to exert applied economic pressure on the buyer.

When these conditions exist, the cooperative can divert milk to an alternative market, process it into products (which can be held and marketed at a later date) in its own facilities or those which can be arranged for. This method of bringing economic sanction to bear when it has been used by experienced people and where demands have been reasonable and sound has been eminently successful. It needs to be remembered, however, that you cannot throw caution and common sense to the winds--that we, as farmers can fix a price on our product but we cannot force anyone to buy it!

Plants and Trucks Are Bargaining Tools

We believe the second basic requirement in bargaining is to have the proper tools. Michigan Milk Producers Association is a bargaining and marketing cooperative with over 11,000 dairy farmer members, all with a direct membership contract. It guarantees a market and pay for all member milk produced and delivered which conforms to health and sanitary standards. Last year M.M.P.A. marketed 3 billion pounds of milk, nearly three-fifths of Michigan's total production--or in terms of Grade A, M.M.P.A. markets 75 percent of Michigan's production. Michigan currently has four Federal Orders, each having different pricing provisions.

Here are some M.M.P.A. statistics:

Average amount of milk marketed per member - 1964 -- 275,000 pounds
Average amount of milk marketed per member, per day - 1964 -- 753 pounds
Average Federal Order price a hundredweight all milk, first point of delivery 3.5 percent butterfat \$3.73
Average negotiated price a hundredweight all milk, first point of delivery 3.5 percent butterfat \$4.17
Total value of member milk - 1964 -- \$126 million
Average gross income per member - 1964 -- \$11,446
(up \$1,420 or 15 percent from 1963)

Organized in 1916, as strictly a bargaining association, M.M.P.A. has found over the years that in order to activate and implement its fundamental concept of controlling the supply, it was necessary to get into many facets of marketing.

The first move was in the field of transportation; the second into receiving and handling; the third was processing market surplus.

Today M.M.P.A. has total assets of \$17,701,800. It is the result of having merged 17 local bargaining associations and processing cooperatives into one--through one method of merger or another.

We place great emphasis on facilities for controlling the handling of milk. The following figures show that we physically handled two-thirds of member milk or more than 2 billion pounds. Without facilities to handle and process milk, dairy farmers are in an extremely weak and vulnerable position in bargaining.

<u>Total Milk</u>	<u>Pounds</u>
Marketed by MMPA -- 1964 ----- -	3,024,000,000
Received by MMPA plants -	1,300,000,000
Processed by MMPA plants -	694,500,153
Transported by MMPA trucks -	762,728,672
Transported by contract haulers -	972,771,175

Products made and marketed from surplus milk - 1964:

	<u>Pounds</u>
Powder -	39,687,483
Butter	16,793,513
Cream	28,131,527
Condensed	26,894,000
Cottage cheese	14,641,909
Sour cream	1,798,097
Super instant powder	2,665,110
Italian cheese	750,000
Cheddar cheese	1,350,000

M.M.P.A. has four major plants that play a major role when it comes to bargaining:

<u>Milk Plant</u>	<u>Pounds of milk per day</u>
Ovid	1,500,000
Saranac	500,000
East Jordan	300,000
Imlay City	900,000
Total capacity owned	3,200,000
Available through other arrangement	1,000,000

If the most extreme and unlikely circumstance of withholding all our milk should arise, we would have a home for more than one-half of the 8 million pounds produced each day by members.

Present today, and being pushed by today's business climate are production methods, means of transportation, and the multiple operations of giant regional or national combines. If we are going to maintain or improve our position in a highly competitive economy, we must be properly equipped and it takes a lot of equipment to handle the milk of our members.

It has been demonstrated time and again that farmers cannot afford to dump or destroy any perishable agricultural product in which they have invested money and time. Therefore, any bargaining effort for milk prices is doomed to failure, before beginning, if such effort does not provide an alternative market for members' milk.

Standby and supply equalization plants and facilities are costly to own and operate but they are necessary muscle when it comes to bargaining.

Cooperation of Other Dairy Cooperatives Is Needed

A third requirement is that a very high percentage of producers must be members of the negotiating organizations.

While we are a large organization and have substantial market power, securing prices and collecting the money and returning it to producers is a very tough job when dealing with 284 milk bottling plants and a product such as milk. In fact, because of the character of today's market, all available market power which can be mustered is necessary.

Realizing this, we have devoted much time and effort to enlisting the support and cooperation of other dairy cooperatives. This is not easy and it takes patience, statesmanship, strong leadership, and often compromise. Fortunately, for the good of dairy farmers, we have been successful.

In Michigan, besides the Michigan Milk Producers Association nine small dairy cooperatives market Grade A milk and furnish the total supply of some processors. These cooperatives represent an additional 18 percent of the total milk supply. This gives the total cooperative bargaining effort control of approximately 93 percent of the milk. Our experience dictates that in order to maintain negotiated prices it is necessary to have at least 90 percent of all Class I (bottled milk) sales in the negotiated price pool. We have averaged above 95 percent.

Steps in Bargaining

The fourth requirement is to have a well-defined and detailed plan, guided and executed by experienced and skilled negotiators.

Some of the techniques and steps which we use are:

1. A meeting of representatives from all cooperatives to appraise and evaluate all market conditions and to establish a unity of purpose among cooperatives.
2. Each cooperative board determines what it believes the producer price targets ought to be and the strategy to be used in bargaining. Factors which must be considered:
 - a. Costs of production.
 - b. Current market supply and sales picture.
 - c. Production and sales response to price
 - d. General economic conditions.
 - e. Evaluation of national price levels as they relate to basic Federal Order formulae.
 - f. Prices and available supplies in other markets.
 - g. The intensity of desire for higher prices on the part of producers and their willingness to participate in necessary actions.
 - h. How well buyers are going to be organized, how much unity exists and how long they will stick together.
3. A second meeting of all cooperatives is held to hammer out a position that all will support. Producer negotiating committee and a chief negotiator for producers are chosen.
4. All milk buyers are notified of, and invited to attend, a meeting to negotiate prices for the next year. The meeting is held in a central place in the State with up to 100 producer representatives and nearly that many buyer representatives attending.
5. When producer demands are presented, the full producer committee and all buyers are present. From then on, give-and-take bargaining is carried on between the chief negotiator and a small sub-committee of dairy farmers, and the chief negotiator and a sub-committee of buyers.
6. The bargaining sessions usually last 3 or 4 days and sometimes nights. We are always hopeful for a truly negotiated agreement. This makes a better producer-processor relationship for the duration of the contract.

7. If negotiations between cooperatives and buyers are concluded by reaching agreement, the buyers are sent a letter reciting the conditions of the agreement and a contract by the cooperative which sells them milk. Buyer must sign and return in order to get delivery of milk.
8. If no price agreement is reached in negotiations, a letter of ultimatum fixing prices and terms is sent. Contract must be signed and returned to cooperative.
9. If contracts are not signed and returned by buyer, his milk supply is cut off and diverted to a cooperative plant.
10. Classification and all provisions of the Federal Order, other than price, are used. The premium over the Federal Order is collected by a neutral party (The First National Bank of Detroit). The Super-Pool is computed by the bank and dairies are billed or paid accordingly. The Super-Pool Equalization Fund is administered by a committee of dairy farmers elected on a representative basis from each of the 10 cooperatives.

We do not contend that this process meets the desires and needs of every producer. But it is essentially the process M.M.P.A. has followed through the years, and it has yielded great benefits.

Negotiated premiums over the minimum of the Federal Order for the past 9 years total \$130 million. Last year our Class I negotiated premium averaged 80 cents per hundredweight (the highest in the country) and yielded nearly \$13.2 million or \$1,223 for each member.

In Summary

I have discussed four basic requirements for successful milk price negotiations:

The first - a legal and economic one. Dairy farmers must be organized in a bona fide cooperative of effective size and strength.

The second - proper and adequate tools (facilities for controlling milk supply).

The third - a very high percentage of the producers must be members of the negotiating organization or organizations--cooperation of all cooperatives.

The fourth - a well-defined plan guided and executed by experienced and skilled negotiators.

We might now add a fifth - a sane recognition of limitations--that all does not begin and end with price--markets are necessary--that there is no method of bargaining that will satisfy income needs resulting from failure to follow sound, efficient production practices on our own farms.

I do submit to you that there is room for more aggressive marketing and bargaining by cooperatives--that we can and must do more for ourselves--and that responsible action by cooperatives can do much to bridge the income gap of American farmers.

BARGAINING TECHNIQUES AND EXPERIENCE
IN FRUITS AND VEGETABLES

Orlo S. Carver, Executive Secretary
Oregon-Washington Pea Growers Association
Milton-Freewater, Oregon

My remarks will be directed to the subject of "Which direction agriculture?" Our bargaining efforts have not been as effective as they need to be if we are to receive sufficient income to stay in business.

Our green pea industry is caught in much the same dilemma as most other agricultural commodities. Simply stated, we have more land available on which to grow peas than we need to supply the available market.

When a farmer's only bargaining tool is not to plant, it amounts to practically no tool at all. It is about as effective as a child holding his breath.

We simply must work out the mechanics of tailoring production to meet market demands.

With many fruit and vegetable crops, we have some built-in production controls through contracts with food processors but under our present set-up production is not being effectively controlled. Why? Many food processors, to be assured of adequate supply in short crop years, as was the case for peas in 1964, must of necessity over-contract. In a good or even average year, we usually end up with a burdensome carryover which food buyers use as a club over the processor's head. He in turn says to his producer, "I can't pay you more for the raw product until I can get more money." So it goes, around and around in a vicious cycle.

Representative Harold Cooley made this very terse and provocative statement in the Foreword to the House Agricultural Committee report, FOOD COSTS--FARM PRICES, April 1965.

"(American) Farmers as a group are capable of producing themselves into bankruptcy, as many already have done. The basic difficulty in agriculture is that so many are engaged in the production of a single crop that individuals cannot measure their production so the whole crop

commands a reasonable price in the marketplaces. So long as his capacity to produce far exceeds the demands of his markets, the farmer cannot expect to achieve stability of income and an equitable share in the Nation's prosperity, unless --

(1) the producers of the various crops develop bargaining power in the marketplaces, as other industries in our free enterprise economy have done, by placing restraints upon production and/or by orderly movement of the commodities into the markets; or

(2) The Government, by various devices, subsidizes farm income to make up the difference between what the farmer receives in the marketplaces and a reasonable income representing the investment, management, skill, and labor he contributes to the production of food and other farm commodities.

Actually, a very good case can be made on the proposition that farmers now are subsidizing the consumers of the Nation by billions of dollars a year, because their income is smaller and therefore they must accept lower standards of living than their customers who are engaged in the undertakings of other segments of the economy."

Last spring our association sent me on an exploratory trip into some of the other major pea producing areas of Minnesota, Wisconsin, and New York, and to Washington, D.C. I had interviews with many whom I consider the most knowledgeable agricultural leaders in the country.

To name a few:

George Mehren, Assistant Secretary of Agriculture

Kenneth Naden, Executive Vice President, National Council of Farmer
Cooperatives

Hershel Newsom, President, National Grange

Roger Flemming, Secretary, American Farm Bureau Federation

Joseph G. Knapp, Administrator, Farmer Cooperative Service

John Harms, Editor, Kiplinger Farm Letter

Kent Christensen, Agricultural Economist and Council of National Food
Chains

Carrol Streeter and Claude Gifford, Editors of Farm Journal

If I were to "capsulize" the many conversations with these people I believe the results would be these questions.

1. When are farmers going to organize?
2. When are farmers going to bring production in line with demand?

It is trite to say, "Farmers must strengthen their bargaining power." We all know this. We all know farmers must first organize, but how? Even after they have organized into strong bargaining or marketing cooperatives, can growers acquire bargaining strength?

One tool that would certainly help us as pea growers would be to establish an early deadline date prior to which contracts must be negotiated and agreed upon, or be referred to an arbitration body. This would eliminate the last minute scramble we go through every year and would be as great an advantage to processors as it would be to growers.

Another could be a grower-processor agreement to voluntarily regulate production to the desired level.

Data processed cost accounting would give the grower immediate factual knowledge of his economic position.

National associations by commodities, now being fostered by the American Agricultural Marketing Association, are certainly a step in the right direction.

I am pleased to announce the presence here today of Roland Brummond, a pea grower from Mayville, Wis. This is the first time we have had growers from the Northwest and Midwest to this conference.

These are but a few of the tools which could be used by food producers as a means of increasing income.

When buyers know processors have an oversupply of a product which they must sell, the pressure is on.

This situation has been the rule rather than the exception every year since 1955, a near disaster year for many growers because of late killing frosts and subsequent drought. The same weather pattern raised havoc with growers again in 1964; result--poor crop. Growers were forced to rely on crop insurance to stay alive, but processors enjoyed from a good to a very good year. One processor said to me, "We almost pray for a crop failure."

The only year a grower can expect to make a profit is the year he produces an above average yield which, if his processor accepts in total, places him in a poor selling position because of heavy inventory.

The only year a processor makes what he considers a "good" profit is the year his producers nearly go broke because of a crop failure.

Now in all sincerity, isn't this a ridiculous way to have to run an industry?

It seems to me, with processed food products both canned and frozen being easily stored for more than 1 year, certainly processors and growers could cooperate more effectively in regulating the flow of products into the market channel to the mutual benefit and profit of both parties.

When you are feeding cattle, you don't just give an animal all he will eat until it learns how to digest it. Exactly the same thing happens to a market when overfed; it "gets sick."

I am not especially proud of the fact that food is a bargain when it means the producers I represent are being forced out of business as a result.

We cannot expect to maintain a strong and profitable position in the marketplace if we continue to overproduce. I represent a group of growers who would also like to keep excessive Government out of our business, but if our food processors do not begin to work more closely with their producers, these producers will be forced to seek and accept assistance -- with its accompanying controls -- from the Government.

I would like to see a representative delegation from this conference meet with some of our national processors and give them an opportunity to demonstrate if they sincerely want less Government in the food business.

If we, as producers and processors, who profess to know something about the complexities of our food industry, are unable to work out some satisfactory solutions to our problems, how can we expect constructive help from outsiders.

Farmers must realize they've got to help themselves. They are going to have to do more research, spend more time, effort, and more money toward marketing their respective products.

Many farmers say, "What we need is dynamic leadership." I will certainly concur and add, "What we need in agriculture is a 'New Moses.'"

Growers must accept the fact they and only they, can be this "New Moses," by simultaneously developing and following their own leadership.

Right now we are at the crossroads of a three-pronged freeway:

1. Integrated agriculture;
2. Government controlled agriculture;
3. Growers banding themselves together into effective marketing and bargaining associations which will maintain some semblance of our present profit incentive system.

Our present high degree of agricultural productive efficiency is the result of the profit incentive by those who either do, or at least closely supervise, the actual farm work.

Before we go too far down the road to totally integrated or Government controlled agriculture, let's remember, "You can't hire a man to care."

X BARGAINING TECHNIQUES AND EXPERIENCES FROM THE PAST SEASON X

Richard L. Black, Manager
California Freestone Peach Association
Modesto, California

The subject given me for discussion is complex and endlessly controversial. There are as many answers as there are participants in the game. I will try to confine my remarks, however, to certain basics and their relation to my own experiences.

The crux of bargaining is whether or not the buyer wants to buy what you have to sell and just how urgent is his need or desire to buy. To put it more succinctly, who has the weight, who is in control?

Agriculture finds itself in the unique position of being the only major industry where the seller says, "How much will you give me for it?" How we got ourselves into this position is difficult to say, but here we are--so what do we do in order to achieve a reasonable price for our commodities?

Creating a Marketing Climate

In order to tip the scale of control in our favor, we attempt to create a "marketing climate." How do we go about this?

One of the several tools which we use effectively is that of public relations, both with the processor and the consumer. This is a continuing process and does not take place only at a particular time of year, such as when we are in the midst of price negotiations. It is imperative that we expand our knowledge of our own industry and work at disseminating this information in the areas where it will be most effective.

Some of the sources of this information available to us are the various agencies of the California and U. S. Departments of Agriculture, the Giannini Foundation, an organization dedicated to the study of agricultural economics; and the professional marketing research groups such as the A. C. Nielsen Company, as well as the facilities which we have developed within our own organizations.

One of the most important results of our endeavor is the ability to predict with some accuracy the available supply for a given season, the potential market demand, and the position of competing fruits and of identical fruits in competing areas.

For us as sellers, to be in possession of complete information puts the association at least on an equal basis if not one step ahead of the buyer in this competition for price. Having this information, we can be selective in its use to influence our customers as well as the general public, which in turn has an influence on our ultimate customer, the processor.

The existence of a cooperative marketing association also enables the growers to offer the industry an adequate supply of consistently high quality produce. This is apparently of concern not only to the buyer of the raw product but to the retail trade. With 34,000 supermarkets in the United States doing 70 percent of the business, they are in a position to demand a constant supply of uniform quality from their suppliers. The association is more nearly able to give them this than any individual or smaller group of individuals.

How We Bargain

So, having set the stage, how do we go about the actual bargaining?

The season begins with a series of conferences when we meet with individual processors in the three key areas of the State. The purpose of these conferences is to get things started--to initiate the process to achieve the ultimate goal of price. We exchange statistics that we hope will be favorable to our particular position. We sift through the data and endeavor to crystallize the problems pertinent to the current season as they influence price.

The net result is that we use these meetings as an opening wedge in influencing price. By the time we have concluded the series of conferences, as a rule we have narrowed our price differences to an area within \$5 to \$7.50 a ton.

Now it is time for the board of directors to meet and analyze the reports in light of the information we have compiled. It is then their duty to arrive at an equitable price which may realistically (and hopefully) be achieved.

Whether you achieve this price before, during, or after harvest has been completed is of great importance since the balance of power may shift if the need to harvest becomes too imminent.

We have now arrived at the point where once we start bargaining the process cannot be stopped, so we must be careful of our timing and be sure that we have developed alternate markets which may be available to us.

The sales contract under which we operate has in it a clause protecting both the association and our processor customers from a deviation of price after the contract is signed. If after signing the contract with any individual processor the association sells an equivalent product to any other processor at a lesser price, the association then must reduce its price to its other customers.

If on the other hand, a processor pays to a non-association grower at any time during the season a higher price than it pays to the association members delivering fruit to this processor, it must then pay the same higher price to all of the association members delivering fruit to it.

We also have available legislative protection for the grower as provided under the California Marketing Act which affords recourse against processors who employ unfair practices. This includes non-payment or non-performance on contracts and pressures on the growers because of their association membership. Of course, it is necessary to have legal proof of these activities which is not always easily obtained. The fact that this legislation exists is sometimes a deterrent to such activities since the penalty may be loss of license to engage in processing in California.

Marketing Freestones the Past Season

How does all of this fit into what took place in the marketing of California freestones during the past season?

We began our actual bargaining season by making a crop estimate early in June. This crop estimate is a result of the efforts of the district advisory councilmen working with the board of directors and association staff. Our estimate was 297,000 tons, the Crop Reporting Service estimated 310,000 tons, and it now appears that actual production may be above this figure. By and large we enjoy a good record of performance in estimating. Although our figure was undoubtedly low this past year, most of the others estimating the 1964 production of California fruits experienced the same difficulty.

The crop projection procedure was followed with compiling of economic data which culminated with a meeting with Sidney Hoos of the Giannini Foundation. Information is fed into a formula which takes into consideration the cost of living index, available supply of competing fruits, and other pertinent data. The net result is a reasonable price range from which to start our negotiating.

By the end of June we were prepared to begin our canner conferences. These conferences allow us to discuss frankly the problems affecting our industry and how they will ultimately affect price. One of the results of this season's canner conferences was a seemingly mutual acceptance of the concept of tying price to quality. As a result of the shaking-out process which occurs at these conferences, we were within an area of \$5 a ton on our "thinking on" price. This then gave us a basis for a realistic margin on our formal price offer.

The contract under which we work calls for two formal price offers in the event that the first offer is not accepted. Acceptance consists of one-third of the processors who purchase from the association 45 percent of the estimated tonnage for sale by the association.

Our first offer was made on July 14. This past season, we took a calculated risk in that we chose not to sign contracts with the processors until after we had made our first offer. Supply and demand largely determine when you sign contracts. In a year of long supply, it behooves you to get the contracts signed at the earliest possible time as a guarantee that the total production will be sold. In a year of short supply, the prime concern is then price and you allow yourself greater flexibility by using the pressure of the ability to divert tonnage during the pricing period to assure yourself of maximum price.

Our supply and demand picture this year appeared to be in relative balance and we felt that there would be sufficient demand for the product so that we would be able to market the fruit under any reasonable conditions.

When you are taking the calculated risk, it is also important that you have an escape hatch in the form of alternate markets. It is not necessary to have an alternate market for your total production but you should at least have covered yourself for a minimum of the product which your experience leads you to believe may be in jeopardy.

Our first price of \$55 a ton was tied to a more stringent than normal grade provision since our processor conferences had led us to believe that this would be acceptable to them.

Three things then happened: Certain large processors indicated that they had no intention of paying a price higher than \$50 regardless of the quality involved; one independent processor immediately accepted the price of \$55 and went into the field and began actively buying with the grading provisions; and one other independent processor rejected 1,000 tons of association fruit to which he had verbally committed himself previously. We later discovered that another processor had agreed to supply him with an equivalent amount of finished product, so we must assume that his action was a part of the processor's preconceived bargaining strategy.

So we had our first price partially rejected and 1,000 tons of fruit without a home. This could have been the end of the road as far as our ability to bargain effectively was concerned. However, we immediately started diverting the tonnage into the alternate markets and were able to nullify the effect of their strategy.

During the few days before our second offer on July 20, we used the time to enhance our position with other processors and were successful in influencing some additional processors to accept the price and conditions. We also issued bulletins to all growers, both member and nonmember, apprising them of the progress we were making and sent a series of releases to all media to inform the public of our position.

The results of our negotiations indicated that we had sufficient support to make it mandatory that we resubmit our original offer of \$55. We used the following 3 days after our second offer to continue negotiating with processors to influence the end result. About this same time, one of the major independents doing business in an area where it is the only buyer rejected the price and sent its staff into the field offering contracts at \$50 to these vulnerable nonmember growers. It was conceded that these growers, having no alternate market for their crop, would sign, the only question was when they would sign.

After several days of pressure from the buyers, some of the growers in the area signed which then led the others also to sign. This in itself did not establish price but had a psychological impact which the buyers used effectively to influence nonmember growers in other areas.

During this period the question of grade was still unresolved. Some canners were attempting to buy with the stringent grade requirements at a \$50 price.

At the end of the 3-day period following the second offer, the pricing formula no longer pertained and we then went to a period of individual negotiation. The support that we had made it inconceivable that we should concede on both price and grade. On the other hand, the lack of the necessary number of signed contracts made it impossible for us to declare an industry acceptance in our pricing.

At this point we felt it advisable to seek counsel from the California Department of Agriculture. In a conference with Frank Bennett, Deputy Director, after analyzing the strength and nature of our support, we were assured of his services as mediator on the price if we so desired.

We used this official sanction to exert some pressure on the processors and although they did not concede on price, they began making concessions on grade which, of course, has the effect of putting more money in the grower's pocket.

We feel that because of our actions the grower received an equivalent of \$52.50 a ton, which with the less stringent grading procedures, was a compromise on both sides. Because we kept our growers fully aware of the situation and of our activities at all times through the bargaining period, we find now that the season is over that they are satisfied with the price and in sympathy with the association's activities on their behalf.

I would like to stress to you the role that communication plays in setting the climate for bargaining and for support of our activities. Both member and nonmember growers must be fully aware at all times of what is taking place so that they do not fall victim to the inevitable rumors and out-and-out falsehoods of irresponsible processor field personnel. It is also possible to exert some pressure on the processor through the judicious use of information fed to media for public consumption. It is important, though, to maintain communication with the processors since when we are no longer talking, effective bargaining has ceased.

The success of the marketing season just passed from the processor standpoint is going to affect largely the climate in which we will begin our negotiations for the forthcoming season. If the inventory has moved well and he has made money, he will be more receptive to your pricing suggestions than if he is faced with a large carryover which he has to sell at a loss.

In 1964, we began our bargaining season under favorable circumstances. The inventory was at an alltime low, the pack from the preceding year had been sold for a very acceptable margin of profit, it appeared that our current crop was no larger than normal, and the regions of our immediate competition were virtually without fruit.

The real pressure on our pricing arose from the cloudy cling situation in California. The processors assumed that bonuses would be paid on clings and that they would have to meet the competition in this matter, making it impossible to arrive at a favorable decision on our commodity since they were thinking in terms of total budgets for raw products.

A Look Ahead

What's ahead? The stage is again being set. We are experiencing difficulty in moving freestone packs at a normal rate because of the impact of a 30 million case cling pack which is being vigorously promoted. At this point, processors apparently are not concerned enough to accelerate the movement of freestones. It could mean a larger than desirable pack carryover at the start of our next bargaining season. Barring some unforeseen climatic conditions which would limit the size of the crop, this carryover could be the important factor in creating the 1965 bargaining climate.

Under any circumstances, it appears next season will be a tougher one for price negotiations. It also appears that each succeeding year is going to become increasingly more difficult market-wise for growers and their organizations. It will be necessary for us to be progressive in our thinking and to develop and maintain more heads-up bargaining techniques. However, I am fully confident that growers and their cooperative marketing organizations will continue to meet the challenge.

THE 1964 EXPERIENCE
of
GREAT LAKES CHERRY PRODUCERS
BARGAINING FOR A NATIONAL PRICE
FOR RED TART CHERRIES

Berkley I. Freeman, Secretary-Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Michigan

This was the picture faced by our board of directors on June 22, 1964, when the U. S. Department of Agriculture published its final crop estimates before harvest began.

After experiencing the shortest crop of cherries in history, the association had maintained control of approximately 45 percent of the tonnage available in the Great Lakes States. We had lost 197 members over the past year because of farm consolidations by some members and the rationale of too low a price for a short crop coupled with their need to share association expenses.

We had returned all of our members' 3 percent contingency fund for 1963 and part of their 3 percent contingency fund and 2 percent operating dues for 1962. Our treasury was bare because of this return and the directors had raised \$47,000 by subscription in their areas to keep the association operative. The banks had loaned us an additional \$40,000 on an unsecured basis to start a processing operation on Individually Quick Frozen Cherries, a new method of processing frozen cherries that shows promise for expanding our market and making a profit.

There were no Federal or State marketing orders in operation for supply management. A relatively small voluntary advertising and promotion program was in effect but its activities had been drastically curtailed in 1963.

The USDA crop estimate used by the association for price determination on June 22 was 400 million pounds. The previous record was 352 million pounds produced in 1962. In that year, 320 million pounds had been received by processors and about 30 million pounds had been abandoned because of lack of facilities and poor quality. The board assumed that regardless of the size of the crop, a maximum of 360 million pounds could be harvested with present facilities.

The board faced up to the fact that in view of the size of the crop and the association's control of only 45 percent of that crop, that association members would have to bear the brunt of any holdout operations in negotiating with processors. Our association's attorney gave the opinion that it was the board's fiduciary responsibility to negotiate the best price possible for our members. The board voted to proceed with negotiations in the face of insurmountable odds.

Price Negotiations

Based upon our low carryover position and the limited capacity of processing facilities, the board announced a price of 6-1/4 cents a pound for its members' cherries. In view of the fact that average harvest costs are 3 cents a pound for cherries, this price represents the average cost of production on normal crop years. Processors unanimously rejected this price.

Since the capacity of the industry to process and the size of the crop were the primary facts in dispute, the association announced a second price based upon a schedule of prices, the final price to be determined on September 1 when the crop had been harvested and the amount received by processors had been factually determined. This schedule established a minimum price of 5 cents a pound on the basis of 370 million pounds or over processed, with prices advancing 1/4 cent a pound for every 10 million pounds less delivered to processors.

A second round of negotiations took place on this basis. Six small processors agreed to this schedule and signed the association's contract. The majority rejected the principle of a scale of prices because of the necessity of making sale on a firm price basis. This was especially true of buyers of frozen cherries and approximately one-half the cherry pack is normally frozen. Large buyers of frozen fruits who use this product to remanufacture bakery and other products have developed a speculative method of buying that demands a firm cash price in order to hedge against inventories and advances and reductions of subsequent f.o.b. prices during the marketing year. The institutional frozen food business is characterized by numerous small packers and, therefore, subject to great price fluctuations.

After rejection of the association's second price offer, the directors authorized the manager to negotiate the best price possible based upon the best offer available from processors. Along with the six small processors who had previously signed the association contract, three major processors agreed to purchase association members' cherries for a firm cash price of 5 cents a pound.

Changes in Contract

In negotiating the cash price, a concession was made in the association's contract with processors. It had now developed that based on current deliveries and USDA's July 1 crop estimate, the tonnage on the trees was estimated as greater than 400 million pounds. Final tonnage determined after harvest was 508 million pounds, of which 436 million pounds was delivered to the processor.

The change in contract was negotiated on the basis of the increasing estimate of tonnage on the trees and the known limitations on processing facilities and markets. In past years, processors bought all or a part of the entire tonnage offered them by the association members and agreed to an overall 10 percent error in that estimate, over or under, as constituting compliance with the contract. It was decided that under the surplus condition existing, there could be no 10 percent tolerance on deliveries and that processors would buy the tonnage specified on each grower's individual Exhibit "A." The sum of these Exhibits "A" was to constitute the entire purchase of the processor.

It was further understood that our members would be protected from being discriminated against in any overall limitation of tonnage by a processor and that if a processor bought only a specific tonnage from individual growers, it would take into consideration a system that did not adversely affect the association members. For instance, some processors agreed to buy 85 percent of the tonnage offered them and attempted to enforce a 15 percent cutback across the board to all growers delivering. Another processor agreed to limit all growers' deliveries to 10 percent over the tonnage delivered in 1962, the last record year. Most processors assigned daily quotas to growers so that the capacity of their plant was not exceeded but utilized to the fullest extent.

Deliveries 85 Percent of Production

The association, working with processors to keep order under almost impossible conditions, established a rule of thumb based upon the fact that in accordance with the July 1 estimate, if growers left 15 percent of their fruit unharvested, then the target of 370 million pounds delivered to processors could be realized. The association, working with processors, established an objective of having 85 percent of its members' cherries sold and delivered. Members delivering to cooperative processors were exempt.

Amazingly enough, this goal was achieved. However, the 436 million pounds delivered to processors represented 85 percent of the 508 million pounds that were actually on the trees and not the estimate of 440 million pounds. This figure of 436 million pounds delivered to processors was 44 percent over the previous record production of 1962, 82 percent over the 5-year average, and over three times as many cherries as were harvested in 1963.

Problems With Processors

Meanwhile back at the negotiating table, an impasse had been reached. Processors in early harvest areas had agreed to the association's 5 cent price and contract. Processors in later districts not under the pressure to buy and sell sat back and refused to commit themselves. The association's contract calls for payment to members in no less than 30 days from delivery. Processors in the early districts at this point advanced only 3 cents down and made this the price for all nonmembers. Three cents represents the average cost of harvesting hand-picked cherries.

Northern processors were then faced with making a decision. Based upon intensified negotiations, northern processors signed the association contract committing themselves to a 5-cent price to the grower. However, the association had to make one further concession.

A paragraph was added to the association contract allowing processors to notify the association 24 hours in advance of a price change by the processor. If the processor notified the association of a price lower than the association's price of 5 cents, then the association had the option of accepting that lower price for that tonnage and all prior delivered tonnage or to withdraw its members' tonnage from that processor who desired to lower his price. If the association stopped delivery, then the processor was committed to pay 5 cents a pound in accordance with the association's contract for all cherries delivered up to the time the price change went into effect.

Contract for Processing Facilities

Before this agreement, the association had contracted for and had established processing facilities. In New York State where a major processor went bankrupt on June 15, the association, with no other alternative, leased his facilities, qualified for a license to operate a processing plant, and operated the plant as a cooperative processor. In Michigan, the association had contracted with a freezing plant to process I.Q.F. Cherries and with a canning plant to process cases of 6/10s. Both of these operations were intended to meet export commitments in accordance with the association's effort to expand export markets. In Wisconsin, another I.Q.F. freezing plant was contracted for before harvest.

Now, under the threat of constant price reduction, the association contracted with other processors for the use of their processing facilities when available. These additional facilities were also necessary when it became obvious that members whose cherries were refused by processors, or who normally delivered to a receiving station for sale by a first handler to processors out of his area, were without a home for their cherries.

Association Efforts To Handle Crop

Five processors notified the association they were going to lower the price. In every case, the association either diverted cherries from their plants or leased their facilities and had their members' cherries processed cooperatively for the account of the association. The 5-cent price to the grower was maintained throughout harvest. In total, the association processed 12 million pounds of cherries in its exclusively-run plants and had processed by 10 commercial processors an additional 16 million pounds of its members' fruit.

In addition to this, the association bought 1,170,000 pounds of processed frozen cherries that were a threat to the existing price structure and which were purchased from small processors at prices well below the 10-1/2 cents a pound figure that was needed to maintain a 5-cent price to the grower and a minimum break-even cost for processing of 5-1/2 cents a pound. The normal cost for processing cherries in 30-pound tins is 6 cents a pound. This does not include 3 percent for brokerage.

In order to accomplish the above, the association borrowed a total of \$2,089,573 from five commercial banks and four private companies. Operating expenses, storage bills, and interest have been kept current. These costs average about \$50,000 a month. Sales have been made to Western Europe and in a new product, I.Q.F. Cherries, in order to keep these payments up and yet not sell on the established markets.

The association holds over 18 million pounds of frozen cherries in inventory and over 2 million pounds of canned cherries. It has announced a policy of not selling these below the cost of processing and the grower price until next year's crop is known and this year's movement achieved. To date the price of frozen cherries has remained firm at 10-1/2 cents a pound and movement is 39 percent ahead of the previous 4-year average; the price of canned cherries has increased 30 cents a case for institutional sizes and 15 cents a case for retail sizes while movement is 35 percent above 1962.

Throughout the harvest season, processors have lived up to their contracts. The association has collected 80 percent of its dues and assessments with a firm arrangement to collect the remainder. Growers have been paid their full 5-cent price except for those delivering to cooperatives and those who have agreed to defer payments to help processors finance their inventory.

What This Experience Taught

The purpose of this report is not to eulogize bargaining associations or heap praise on the directors, members, and manager of Great Lakes Cherry Producers. It is to add further proof that bargaining associations alone are not equipped to cope with the vital supply and marketing problems of the fruit and vegetable industry. This year's total operation for cherry growers and processors will result in a net loss to them. The financial measures required to meet an emergency are an undue and unfair risk to the growers and processors that support the Great Lakes cooperative effort.

On the other hand, corporations who use cherries in their nationally advertised retail products have received an advantage from such emergencies. The large retailer has been able to feature cherries as a bargain to attract customers into their own stores. This year he may sell more cherries but the net result is to strengthen the retailer's franchise and not the commodity under pressure.

The only benefit to growers can come by way of a lesson learned. This year's experience in the cherry industry is proof that a little cooperation is better than none and can be stretched to go a long way. It is proof that in the face of over-supply, only the grower is willing or able to defend his own interests. It is proof that grower and processor profits are inseparably bound together in the profitability of the commodity they handle. It is proof that any constructive cooperative effort that contributes to the long-run stability of the food business will be met by cooperation from other facets of the business such as banks, suppliers, and processors. It is proof that dependence on short supplies for bargaining power by growers does not pay. Emergencies in the fruit business must be planned for, not reacted to. It is further proof that corporations adequately staffed and financed to play the averages will always come out ahead of individuals betting the odds on what Mother Nature brings forth.

At this stage of the marketing year, it is obvious that a crop of this size has repercussions on the following year. The unprecedented movement of 380 million pounds of canned and frozen cherries that will be achieved this year will still leave a record carryover of 65 million pounds. The fact that this record movement was generated by prices below costs to both grower and processor will affect the capital available in the industry for handling a crop of any size in 1965. All of our efforts to minimize losses and avert disaster will have been in vain if supplies are not better managed and brought in line with demand.

We have gained a little time to develop better methods of industry management and supply control. To this end, the association is working with other organizations in the industry to have a Federal marketing order for supply-management control available for grower and processor referendum by June 1, 1965. This marketing order, if voted in by growers and processors, will enable the industry as a whole, in five States producing 95 percent of the crop, to retain in inventory or divert to new markets any portion of the 1965 crop that is deemed in excess of a normal supply. Without this management tool, our cherry industry is like a sailing ship in a race with a power ship, completely dependent upon the winds.

In the long run, the added pressures generated by unpredictable surpluses have clearly exposed the basic weaknesses of the marketing structure in the cherry industry. They have helped growers see their position and vulnerability in a period of rapid change. The head-on clash in the food industry between the publicly-owned, professionally managed, large diversified corporation and the privately-owned, commodity-oriented, individual producer or processor is dramatically revealed.

As the large corporation takes on the functions of product development, brand identification, distribution, and communications to the public, the individual dependent upon these functions becomes the raw material supplier. He is under constant pressure because in his effort to compete he must increase his productive efficiency and thereby weaken his market position by supplying a volume greater than needed by the large corporation. He is faced with competitors with other raw commodities who are also under unrelenting pressure to increase their own productive capacity.

In an economic squeeze such as this, the only answer is both vertical and horizontal integration of the producer-processor. One purpose of this is to gain control of supplies so that repeated surpluses do not completely destroy the management and capital that makes agricultural abundance possible. Another is to regain some influence in the product development, promotion, and distribution of their commodity. Without some control over these functions, the job of supplying the market intelligently becomes almost impossible.

At this stage of our economic development, this integration can be accomplished cooperatively by the remaining growers and independent processors in the business who have vested commodity interests or it can be accomplished by economic attrition wherein the large corporation assumes the raw product supply function in addition to its other consumer-oriented functions. The sociological implications of this development are now the subject of a national review and investigation by the recently established National Commission on Food Marketing under Chairman Justice Phil S. Gibson.

The cherry industry hopes to act on the lessons taught by recent years rather than wait for this report. It intends to protect itself by attempting to integrate cooperatively in order to capitalize on its current investments and to expand the economy of the geographical section best suited for raising red tart cherries. We are convinced that a negotiation procedure such as used by a bargaining association does not go far enough to counteract the severe economic imbalance between present-day suppliers and buyers in the cherry industry. It is merely a starting point in the needed integration plans for growing and processing a commodity.

To this end, we are starting talks with local established processing cooperatives and independently-owned processors with the hopes that they will unite with independent growers to form a strong, market-oriented cooperative capable of utilizing professional management and broad financial support.

It is hoped that a cooperative effort of sufficient magnitude can be developed to make it possible to supply the U.S. market and the world market with the fruit and vegetable products best adapted to the Great Lakes area at a profit to those who grow and process these commodities.

BARGAINING TECHNIQUES AND EXPERIENCE
IN FRUITS AND VEGETABLES

Harold J. Hartley, Manager
Fruit and Vegetable Division
American Agricultural Marketing Association
Chicago, Illinois

It is a privilege to participate in this discussion on bargaining techniques and experiences in fruits and vegetables. I suppose it could be said with some accuracy that there are few new experiences. Each experience is new only as it relates to the time and situation.

The American Farm Bureau Federation has been associated with bargaining experiences of various types for many years. Until 1960, however, most of our relationship with bargaining was as "sideline" observers or as "off-stage" assistants.

I don't wish to imply that Farm Bureau leaders have not been interested and concerned, or that Farm Bureau's efforts have not been helpful to those in the actual skirmish. But, it is an entirely different experience to be responsible for carrying the ball rather than attempting to provide interference!

As you know, the American Agricultural Marketing Association, an affiliate of the American Farm Bureau Federation, was incorporated in January 1960. You are also aware from our past reports at this conference that pilot projects were selected to gain experience and first-hand knowledge of problems.

Began With Two Projects

Our two primary pilot projects -- apples and tomatoes for processing -- have provided two greatly different areas for experience. The apple program has offered an opportunity of exploring problems related to a perennial crop in which efforts to negotiate sales come after the crop is progressing toward harvest. This varies greatly from the tomato industry, where contract negotiations take place in advance of setting tomato plants.

It would be impossible to review each experience we have had in both the apple and tomato programs in the past 3 years. I could simplify a review of our activities by saying that each move was designed and carried out to bring long-range benefits to both growers and processors.

Even though we are aware that many processors look upon the efforts of bargaining associations as an interference in their method of doing business and don't particularly want to cooperate, we feel that we can make the most satisfactory progress by designing and carrying out activities with and through processor cooperation. With this philosophy as a basis for our program, it is necessary to proceed more slowly and with fewer of the glamor tactics that may gain headlines. The lack of luster which may result from this policy has, at times, caused us some concern in that members and potential members have felt that progress is less than satisfactory.

As most of you are aware, bargaining activities, in many cases, are looked upon with a hopeful -- yet a skeptical -- eye by many growers we may categorize as "wait-and-see-ers." There are many who not only "stay off the field," but they also refuse to "sit on the bench." There are many reasons they choose to do this, but regardless of their reason, they have proven to be a serious detriment.

In our limited experience in our pilot projects, we are more aware that programs, to be effective, must have national coordination and multi-commodity correlation.

It is impossible to completely divorce the bargaining activities of producers of one processing fruit from those of another. In some processing vegetables, such as corn, beans, and peas, it seems almost mandatory that we have tight national coordination in a program which involves producers of each of these three crops. Such a program is not only necessary to protect producers but also to benefit processors.

Our activities to date have been designed to lay the groundwork, develop an organizational structure, and adequately inform producers that bargaining programs are practical and feasible. Here again, the proper structuring and the proper orientation are time consuming and are not conducive to grower eagerness to participate.

The AAMA apple marketing program proved a successful marketing tool in 1964. The 1964 apple crop was considered a large crop (in early estimates) and was a potential trigger to disastrous prices unless firm, decisive moves were made to stabilize the processing apple market price early in the marketing season.

The AAMA program, as developed by the AAMA Apple Advisory Committee, was put into effect in late August to assist in precipitating an early favorable price. A favorable price was announced at an early date by major processors and then strengthened to more realistic levels as the season progressed. The AAMA program has been credited with providing a valuable catalyst in causing this to develop.

The AAMA processing tomato program has also provided the necessary inter-area coordination and information exchange needed as a foundation for contract negotiation by State associations in major production areas. These State associations have made satisfactory progress in increased membership support and in providing services to tomato growers, which contribute to greater net returns.

Developing New Programs

We are currently moving into several new fields of activity, and in each of these new programs, the beginning stage is primarily an information program designed to improve growers' knowledge of their markets and the opportunities to be found in contract marketing-bargaining. In many cases, the membership agreements they are asked to sign simply list the services (aside from actual bargaining) they will receive, and offer the opportunity for organized action on contracts when the time is appropriate and when they have a real desire.

To some, our experiences may lack a measure of excitement. I want to reemphasize, however, that our bargaining techniques and experiences are related to the policies and principles of a general farm organization with a basic objective of improving the total agricultural community which encompasses hundreds of commodities.

It is our sincere opinion that the field of contract marketing-bargaining must be developed in such a way that producers of all commodities can and will accept it as a welcome advent in agriculture.

As many of you know, our brief experience in this field of agricultural marketing has already caused some innovative thinking among leaders of Farm Bureau.

Major emphasis has been on methods of improving processors' understanding and acceptance of our activities. At the same time new tools, in the form of legislation and control of more economic power, are being studied, analyzed, and in some cases, utilized. We expect to have more of these tools explored and many of them put into use as the program gains momentum.

We want you to know that we welcome your interest and also the benefits of your experience in helping us to design new and useful tools.

DEVELOPING EFFECTIVE RELATIONS BETWEEN
PROCESSING AND BARGAINING COOPERATIVES

Clay Whybark, Manager
Washington-Oregon Canning Pear Association
Yakima, Washington

I would like to expand the topic assigned me a little and include independent processors as well because we are all three dependent on each other. We are all vital cogs in the agriculture wheel. Why the need of this relationship or should I say, cooperatively effective relationship?

This subject has been discussed by individuals and by groups. We have discussed it thoroughly in our own Washington-Oregon Canning Pear Association but it has not had much coverage at the national level or even at our Pacific Coast meetings of the bargaining association on the West Coast.

R. D. Barker of the Diamond Walnut Growers, Stockton, California discussed a related subject at the third national conference held in New Orleans in 1959. His topic was "How Can Bargaining Cooperative and Processor Cooperative Work Together to the Mutual Advantage of the Growers?"

His closing paragraph, I think, has a definite relationship to our subject today. He said: "If both groups approach the problem in an open-minded and independent manner, there need be no serious conflict of interest. To do otherwise will almost certainly provide the opportunity for non-producer groups to take control of agriculture and eventually, eliminate to a large degree, the long-established pattern of the family farm in America. If that occurs, we shall all have failed those who charged us with the responsibility of promoting their best interests."

Another reason for effective relationship between the three groups, I believe, is our general marketing problem. I think our attention should be directed towards how producers, cooperative processors, and independent processors without strong marketing organizations can contend with well-established buying groups. These groups are highly organized and are becoming more so as time passes.

There is, at the present time, no assurance that a successful marketing organization today will be successful in the future but by the same token, an unsuccessful organization today could well be a world-beater in the near future. This is how rapidly the scope of things is changing in our present marketing structure.

One of the first things to be pointed out and emphasized is that regardless of whether food is in a raw or finished form, its distribution is always changing. Moreover, food distribution is very competitive. This is not a new idea but too many firms and organizations continue to do business in the same old way only to lose their former place in the scheme of things. This would seem to prompt the question: "How must producers and processors change their own methods and organize to meet the requirement of mass merchandising of food?"

Terms like concentration, integration are now common because they define what is taking place in marketing agriculture commodities today. We should understand them. Essentially, they are economic processes. They are not new but they have been the most important forces in changing food distribution.

The origin of these economic processes is quite simple. Every firm in the food distribution chain is seeking to improve or increase its profit position. Some firms do this by increasing their size, by growth, and by consolidation. The economic term for this is horizontal integration. Other firms seek to assure themselves of sources of supply and branch out to own or otherwise control sources of supply. This is called vertical integration.

These processes are taking place now at all levels of food distribution. They are most prevalent in the buying field. Offsetting organizations by suppliers has lagged. The most striking case of organization for marketing is at retail and its associated buying and assembling facilities.

We are all familiar with the growth of the supermarket. It is, in major part, a result of the increased operating economy and efficiency. Approximately 70 percent of the food business is carried on in supermarkets. A store selling over \$500,000 worth of goods annually today is considered a supermarket but the average chainstore today has an annual sales volume of over a million dollars. To go back a few years, the annual sales of chainstores in 1941 was under \$4 billion. In 1963, one chain alone did over \$5 billion of business.

This should give you an idea of what we as producers are trying to buck when we say that we want to maintain our own independence by being rugged individualists on our farm or at the processing plant. This dream ceased to be a reality a good many years ago.

The chainstore manager, or pricing merchandiser as he is often called, has a tremendous job facing him and we in the producing and processing end should realize this. We should also know what type of individual we are dealing with.

This individual was described accurately at a recent meeting in Corvallis, Ore. as follows: "The chances are he is college educated, has probably never seen any of the products we are trying to sell him in the raw stage, has a boss looking down his neck quoting rates, quotas, and somebody else's performance. He has to drive through killing traffic to get to work. He has about 18 people waiting to see him, a lot of long distance telephoning to do, reports to get out, he is behind with his correspondence, he has ulcers, and his boss and wife are coming to dinner that night. Does he care that you are getting less than cost of production for your produce or that your parity relationship is lousy? Let me tell you. He couldn't care less. The only thing that he cares about is making that cash register ring and showing a profit for his individual store."

Most of these chains want the producers and the processors to supply advertising and merchandising materials and gimmicks and even, at times, try to get them to buy shelf space. This is what we are faced with in the supermarkets that are the eventual outlet for all our products.

Another reason that we should have more effective relationships between these three groups is that unless we do develop such a relationship, some more militant type of an organization is going to step into the picture and take over the job that we have been trying to do as independents in the producing end as managers of bargaining cooperatives, cooperative canneries, and independent processors.

I have a strong feeling that unless a more effective relationship between our three groups can be established and unless we learn to work together towards a realistic profit for all of us, then such a thing as somebody else taking over could happen in agriculture. In fact, in certain areas, moves along this line have already been taken. I am not going to discuss whether this is right or wrong but just want to point out that the pendulum is beginning to swing. We three groups are going to have to make up our minds which way we want to go and do it fast.

Now, how do we develop effective relations between cooperative processors, independent processors, and cooperative bargaining association?

To do this, I think we first have to ask ourselves why we are in this business. The answer is one simple word.....profit. Profit for producers and profit for stockholders. Then we have to understand each person's place in the scheme of things in getting this "profit." The manager and directors of cooperative processing plants and the manager and directors of bargaining cooperatives are in relatively the same position. They are directly responsible to their membership and are readily accessible to these members and are held (and rightly so) directly responsible for the returns received by said members. If the returns are good, the managers and directors hear nothing but if returns are poor, that's a different story.

On the other hand, the manager or chairman of the board of the independent processors, be they large or small, is not easily accessible to the producer and his main interest is a return to the stockholder and not to the producer. The orders come down through a chain of command to the field man with whom the producer deals. This makes it doubly hard to build up these effective relations with independent processors but I personally feel that we are making headway. I think that the directors of the Washington-Oregon Canning Pear Association have made good progress in building up the relationship we are discussing. I will outline the points we consider important in building this relationship and then let the discussion period take it from there.

1. We realize our strength and weakness.
2. We know that we cannot always guarantee a profit on a given commodity.
3. We realize that any pricing formula for agricultural commodities may have flaws.
4. We realize that cooperative processors have problems similar to our own.
5. We realize the private processors are a better type of industry than they used to be.
6. We realize that both the cooperative processor and private processor are faced with the same problem we as producers are faced with--few buyers for their finished products and outside pressure brought to bear to force selling.
7. We realize that there has to be a mutual feeling of trust and cooperation based on long-range thinking on the part of all segments of the industry.
8. We realize that we cannot base our negotiations on the basis of a short-time gain. We know that by doing this we could price ourselves out of the market.
9. We realize that the consumer does not have to eat our pears and that the competition for the roughly 1,500 pounds of food annually that the stomach can accommodate is tremendous.
10. We realize that when we sit down at the bargaining table that the facts and figures we are going to present must be accurate and we see that they are.
11. We realize that we in the agricultural industry are subject to the law of supply and demand even if in other industries this law is tampered with.
12. We realize that it is not who is right but what is right that counts.
13. We realize that we have to try to influence our members to deliver a top quality product to the processor of their choice.
14. We realize that both the cooperative and the private processors are faced with seasoned pricing instead of the one-shot deal we establish at picking time.

15. On this one I will repeat myself. We realize and I am sure the processors do, too, that if we don't negotiate our prices fairly that we will have either a more militant group doing it for us or laws enacted making such negotiations mandatory.
16. We realize that frank and open discussions at these bargaining sessions are not only important but very rewarding.
17. We are all of us beginning to realize that most processors are beginning to feel that producers should have something to say about the prices of their commodities and that the best way is through bargaining associations. We also realize that this change has been slow and will continue to be slow because we still have a few people on each side of the table who consider the other side the enemy.
18. Last, but not least, we also realize that the most important person to all three of us is the consumer and she must be pleased with the price, the quality, and the quantity. This we can do if we cooperate.

We do not, and did not, expect Utopia immediately but by following the steps that I have briefly outlined, we have been gaining ground and improving our relationship. These steps have worked for us and I believe that with refinements, they would work for others.

If I sound like an optimist, it is because I am or I would not be connected with the agricultural industry.

I sincerely appreciate the opportunity of giving you our ideas and dreams.

WORK GROUP A

IMPROVING THE LEGAL CLIMATE FOR BARGAINING COOPERATIVES

Leader : Joe Dwyer, Director
Department of Agriculture
Olympia, Washington

Secretary: D. Morrison Neely
Office of General Counsel
U.S. Department of Agriculture
Washington, D.C.

(This statement summarizes the discussions of participants in Work Group A and the conclusions reached.)

Work Group A considered various possibilities for improving the legal climate for bargaining cooperatives.

There was complete agreement by all present that there was considerable room for improvement in the overall legal climate for bargaining cooperatives. How this could best be done was the big question. Much of the discussion, therefore, revolved around possible means and methods of bringing about this recognized need for improvement.

Copies of the two attached bills developed by the Washington State Department of Agriculture were distributed by Mr. Dwyer. Members of his staff explained each of the bills. It was pointed out that consideration ought to be given to the need for such legislation in all the States. The Washington bills, however, were not offered as "model measures" but merely to form the basis for discussion and exploration. The bill marked "Exhibit A" was referred to as the "little Capper-Volstead Law" and may not be needed in every State. The bill marked "Exhibit B," it was pointed out, was designed to prevent unfair practices in negotiating and contracting for agricultural products. It has as its purpose the same basic objectives as those of S. 109 introduced this year by Senator Aiken in the United States Congress and the companion House bill, H.R. 898, introduced by Representative Secrest. These measures were also briefly discussed.

The following questions or topics were outlined for discussion by the group:

1. Does present legal climate limit bargaining effectiveness?
2. Is there a need for additional legislation?
 - a. State legislation.
 - b. Federal legislation.

3. What types of legislation are needed to strengthen bargaining?
 - a. Unfair trade practices.
 - b. Rights comparable to a Wagner labor act for agriculture.
 - c. The right to bargain with all processors at one time.
4. Should the marketing agreement act be broadened to cover more functions (e.g. processing) and more commodities?
5. Is there a need for test court cases? What and where?
6. Successful bargaining depends on the development of equitable contracts between processors on the one hand and producers represented by their bargaining association on the other. What are the major points of a good contract and how can better contracts be developed?

With respect to the first three topics, there was general consensus that the bargaining effectiveness of cooperatives was limited to a certain extent by present law and that new laws or amendments to existing laws would be desirable at both the State and Federal level. There was considerable difference in opinion, however, among those in the group as to just what measures should be sought and it was recommended that the matter receive further study.

The group expressed the view that legislation in this field, at least at the Federal level, should not be presented in the form of an amendment of the Capper-Volstead Act. Separate legislation would seem more desirable.

It is expected that further study will indicate the areas where those concerned with the problems of bargaining cooperatives can agree on objectives and means of obtaining the desired results.

Item 4 was discussed at some length. There appeared to be no support for a move to broaden the marketing agreement act to cover more functions, for example, processing or more commodities.

Time did not permit a discussion of items 5 and 6. Request was made, however, for future consideration of "major points of a good contract and how better contracts can be developed" between processors and producers represented by bargaining associations.

Exhibit A

AN ACT Relating to agricultural marketing and marketing contracts of associations of agricultural producers.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Sec. 1. Persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers may act together in associations, corporate or otherwise, with or without capital stock, in collectively processing, preparing for market, handling, and marketing in interstate and foreign commerce, such products of persons so engaged. Such associations may have marketing agencies in common; and such associations and their members may make the necessary contracts and agreements to effect such purposes: Provided, That such associations are operated for the mutual benefit of the members thereof, as such producers, and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein, or,

Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

And in any case to the following:

Third. That the association shall not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members.

NEW SECTION. Sec. 2. If the Director of Agriculture shall have reason to believe that any such association monopolizes or restrains trade to such an extent that the price of any agricultural product is unduly enhanced by reason thereof, he shall serve upon such association a complaint stating his charge in that respect, to which complaint shall be attached, or contained therein, a notice of hearing, specifying a day and place not less than thirty days after the service thereof, requiring the association to show cause why an order should not be made directing it to cease and desist from monopolization or restraint of trade.

Such hearing, and any appeal which may be made from such hearing, shall constitute the exclusive remedy for any such monopoly or restraint of trade and shall be conducted and held subject to and in conformance with the provisions for contested cases in Chapter 34.04 RCW (Administrative Procedures Act), as now enacted or hereafter amended.

Exhibit B

AN ACT Relating to unfair practices in the negotiation and contracting for agricultural products in their natural or processed state; and providing penalties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Sec. 1. The production and marketing of agricultural products within this state is affected with the public interest. It is declared to be the policy and purpose of this act to promote the general welfare of the state by preventing unfair trade practices against producers who may join together in any lawful manner to market their products in an orderly, fair, sound and efficient manner, so as to prevent great financial losses to the economy of the state and burdensome losses in the agricultural productive capacity of the state. This act is enacted in the exercise of the police power of this state for the purpose of protecting the health, safety and general welfare of the people of this state.

For the purpose of this act:

- (1) "Department" means the Washington state department of agriculture.
- (2) "Director" means the director of the department or his duly authorized representative.
- (3) "Agricultural product" means any horticultural, viticultural, berry, poultry products, grain, livestock, bee or other agricultural product in its natural or processed state.
- (4) "Cooperative association" hereinafter referred to as association means any incorporated or unincorporated association of producers which conform with the laws of this state or the qualifications set out in the act of congress of the United States of February 18, 1922 as amended, known as the "Capper-Volstead Act" and which is engaged in making collective sales or in marketing any agricultural commodity or product thereof or in rendering service for or advancing the interests of the producers of such commodity on a non-profit cooperative basis.
- (5) "Processor" means any person receiving an agricultural product for freezing, canning, or any other method of preservation by natural, mechanical or chemical processing.
- (6) "Producer" means any person other than a processor or employee or agent of such person or processor who causes or may cause an agricultural product to be produced for processing by a processor.

NEW SECTION. Sec. 2. Producers shall have the right to enter into cooperative agreements, through voluntary associations or cooperatives for the purpose of:

- (a) group bargaining with respect to the sale of agricultural products;
- (b) marketing of agricultural products;
- (c) procuring of farm supplies.

NEW SECTION. Sec. 3. It shall be an unfair trade practice, and unlawful for any processor, handler, commission merchant, dealer cash buyer or their agents and any other person to:

- (a) Interfere with, restrain or coerce any producer, association of producers or a producer cooperative in the marketing or contracting for processing, handling or marketing of their agricultural products.
- (b) To combine, conspire or act jointly with other handlers for the purpose of:
 - (i) withholding recognition of an association as a bargaining association of its members;
 - (ii) boycotting or otherwise refusing to deal with any association;
 - (iii) boycotting or otherwise refusing to deal with a producer who is a member of an association.
- (c) To discriminate against producers with respect to price or other terms of purchase of agricultural commodities on the basis of membership in a cooperative association or not;
- (d) To induce a producer to terminate an agreement or arrangement with a cooperative association relating to the marketing or other handling of other agricultural products; and
- (e) To pay or loan or give any other thing of value to a producer as an inducement or reward for refusing or ceasing to engage in the exercise of the rights guaranteed by section 2 of this act.

NEW SECTION. Sec. 4. Any processor entering into a contract, agreement, or any other arrangement in which a producer furnishes such processor with an agricultural product by the efforts of his labor shall file a copy of such contract, agreement or arrangement with the director of agriculture. Such filing shall be within five days of the final affirmation of said contract, agreement or other arrangement: PROVIDED, That such filing shall not be less than ninety days prior to delivery of said agricultural produce or five days prior to planting, if said contract, agreement or arrangement includes provisions related to planting, cultivation, or care of the growing crop.

NEW SECTION. Sec. 5. Any processor entering into contracts, agreements or other arrangements with a producer to furnish agricultural products to such processor as set forth in section 4 of this act shall, if not already a licensee under chapter 20.01 RCW (Commission Merchants Act), be licensed as required thereunder and shall be subject to all the provisions of chapter 20.01 RCW and any violation of this act shall be deemed to be a violation of the said chapter 20.01 RCW and subject to the penalties thereunder. The director shall have like authority as granted under chapter 20.01 RCW for the purpose of carrying out the provisions of this act, including, but not limited to, investigative power, issuance of subpoenas, and the suspension, revocation, or denial of any license required under the provisions of this act.

NEW SECTION. Sec. 6. If any section, sentence, clause, or part of this act is for any reason held to be unconstitutional, such decision shall not affect the remaining portions of this act. The legislature hereby declares that it would have passed this act and each section, sentence, clause, and part thereof despite the fact that one or more sections, clauses, sentences, or parts thereof be declared unconstitutional.

WORK GROUP B

ORGANIZING FOR MORE EFFECTIVE BARGAINING

Leader: Gene R. Coe, Manager
Washington Asparagus Growers Association
Sunnyside, Washington

Secretary: Earl R. Franklin
Extension Marketing Specialist
Washington State University
Pullman, Washington

(This statement summarizes the discussions of participants
in Work Group B and the conclusions reached)

The consensus seems to be that organizing in bargaining cooperatives is a never-ending process. This is true because not only must enthusiasm be maintained among present members, but there is a constant turnover.

Communications

As a result of the need for continuous organization effort, communications becomes the all important tool of the leaders in the bargaining association movement. Educators, bankers, and real estate men are an important audience for public relations work. Chambers of commerce and trade associations (such as equipment dealers, retail and wholesale associations, and broker groups) are also effective transmitters of ideas.

Of course, the number one job in communications is with members and nonmembers. The type of organization may not be as important as the understanding developed within the membership and among prospective members. As an example, membership needs an understanding of what is involved in good leadership.

Types of Organization

The recognized types of organization in these discussions are:

1. Commodity associations.
2. Affiliations of these associations.
3. Voluntary or quasi-governmental (commissions, market orders).
4. Local, State, national.

It is presumptuous to suggest in this paper the type of organization to form. Each problem and commodity character will lend direction to the choice of organization.

Organized groups of modest means may find it necessary and desirable to affiliate with a large group to satisfy demands for services seemingly out of reach of these organizations. Strange bedfellows can often be found where extreme pressures for legislative or other objectives become apparent.

Our discussion group agreed that there are two distinct philosophies within the bargaining movement today: (1) Bargaining with the use of economics, and (2) bargaining by force and compulsion. The direction these movements may take is subject to conjecture at this time.

Research and Information Needs

We placed much emphasis on the need for a better knowledge and understanding of the economic factors affecting price commodity by commodity. Further, increasing study must be given beyond the simple statistics of supply and demand. The extreme imbalance of sales versus acquisition strength makes it mandatory that responsible and productive marketers and processors be recognized and awarded with our crops. It is no longer permissible in this high cost era to perpetuate weaknesses in our processing and marketing system.

At least a part of our bargaining groups would like to maintain a competitive system. However, if this is to be done, we must see that the conditions are present which make competition effective. One of these is a recognition on our part of the requirements for perfect competition compared with the obscured, the undefined, and the unprincipled.

The Farmer Cooperative Service has asked for suggestions for research areas and topics. Other Government agencies and universities would welcome these suggestions also.

WORK GROUP C

WHAT DIRECTIONS FOR BARGAINING COOPERATIVES?

Leader: Roland H. Groder
Fruit and Vegetable Marketing Specialist
Oregon State University
Corvallis, Oregon

Secretary: Walter M. Furbay
Farmer Cooperative Service

(This statement summarizes the discussions of participants
in Work Group C and the conclusions reached)

Fruit and vegetable bargaining cooperatives have developed since the 1920's. Their purpose is to increase economic gains for members by shortening the distance between producer and consumer.

To bargain effectively, the association of growers must have bargaining power. There are alternative ways of increasing this power to bargain: Through marketing or by bargaining and supply control.

Different approaches have been necessary because of the commodities negotiated for, regional differences, time of marketing, and because of managers and directors themselves. Since various ways have been used successfully, it seems illogical to require one set pattern of organization. It is worthwhile to lay ground rules, but they will differ between crops, between annual and perennial crops, as well as between regions and States.

Bargaining associations should be organized to serve the whole industry and to provide broad services, since the overall objective is to enhance income through marketing alternatives. The bargaining association is effective if it provides a united grower market and adds effective competition in the marketplace.

To successfully bargain, we must open up and explore many avenues of approach; there must be membership support, knowledge of supply and demand factors, controls and adequate information. These are necessary tools to provide bargaining effectiveness. In some environments, they must be used in conjunction with other legal marketing mechanisms.

We can't expect farmers to support a program unless the association agrees to find a home for what the market through supply-demand relationships will purchase--not necessarily what the farmers will or can produce.

In market-oriented cooperatives, the association has assumed the responsibility of bargaining--marketing at the farm gate. Many leaders feel that bargaining associations must move toward the marketing agency, because cooperatives have demonstrated the need for more quality control responsibilities. The farmer as a capitalist furnishes management and capital as well as labor. In the capitalistic or marketing approach, the association may, although not necessarily, take title and is thereby assuming the responsibility of finding a market for the commodity.

Many bargaining associations have led to further processing cooperatives, supporting the trend toward ownership, processing, distribution, and even retailing. Integration of functions, however, poses operating problems which the bargaining association does not necessarily want.

Those who contend that the association responsibility is one of price and contract bargaining only do not favor taking title. If the association has control of supply, its responsibility is to contract and produce what the market wants. Such bargaining associations can make valuable contributions toward better coordination of market functions. Control by the association-contractor is a necessary part of the full supply contract. Implied in this approach is the need for adequate economic information and responsibility of policing the members themselves. Labor union procedures have been advocated by strict bargaining adherents who call for reinforced legislation to protect agricultural bargaining groups similar to Wagner-type protection afforded organized labor.

Several bargaining cooperatives have added processing and distribution facilities. This capital-requiring approach has attracted support, especially when profit-sharing plans were part of the package. The sugar beet industry is an example of the profit being spread over a larger area, and the risk is likewise lessened. Certain citrus cooperatives in Florida include a profit-sharing plan in the contract.

Organized strikes and withholding actions are not useful for achieving bargaining objectives in agriculture where the farmer is a capitalist as well as a labor manager. More resources have already been committed to production of output than in the case of labor.

Bargaining associations have demonstrated the ability to succeed without the assistance of marketing orders and agreements or other Government support. In today's economic climate, concentration of buyers, and specification requirements, a legal framework may be advantageous, however.

There is need for professionalizing the bargaining approach and negotiating procedures. This emphasizes the need for education and training of all personnel concerned with this development in agricultural markets.

IMPORTANT ISSUES IN CURRENT BARGAINING
EFFORTS OF COOPERATIVES

S. R. Smith, Administrator
Consumer and Marketing Service
(formerly Agricultural Marketing Service)
U.S. Department of Agriculture

It is always a pleasure to meet with fruit and vegetable producers and their representatives as I have been doing from time to time the last 30 years. It is a particular pleasure to meet with you on the timely subject assigned for our mutual consideration.

The subject is hardly a new one. Yet it is certainly in the news. The Wall Street Journal gave front page coverage, in a recent issue, to what it called a "farm front push" to increase farmers' power in the marketplace. The object of this push, according to the Journal article, is to reverse the decline in what the farmer gets relative to what the consumer spends. The story went on to point out that the American Farm Bureau Federation is organizing marketing-bargaining subsidiaries; the National Farmers Union wants to join organized labor in an integrated channel of food distribution extending to the retail store; the National Farmers Organization seeks to negotiate contracts with processors; the Ohio Farm Bureau has asked the American Farm Bureau Federation to buy a major food chain.

The Journal failed to note the existence of more than 300 bargaining cooperatives -- among them 50 in fruits and vegetables.

Renewed Interest in Bargaining Power

The farmer's problem of lack of bargaining power is of course as old as farming. But the reasons for the renewed surge of interest in the problem -- and in cooperatives as means of meeting it -- are as new as today -- and tomorrow.

The reasons center around change -- and the accelerating pace of change -- technological change, economic change, even social change -- but most of all, change in our farm and food marketing system.

These are changes in the very nature of markets and market channels, in ways of doing business, in the size and scale of market firms and in relations between them.

Firms are fewer and larger in almost every segment of the food industry. The trend can be seen in the processing of many fruits and vegetables, but the clearest and most pervasive trend from small to large size lies in food retailing.

Change is evident in the gradual eclipse of central assembly markets -- the rise of direct trading and various arrangements broadly classified as vertical integration.

Many of you, I am sure, remember as I do a time when it was popular to argue the cause of farmers by advocating the elimination of the middleman. He was seen as a supernumerary inserting a greedy finger without lifting much of a helping hand. Many middlemen have departed. We are not so sure now that their going was unmixed boon.

It is true that reducing the steps in marketing -- telescoping the sequence -- can produce efficiency advantages. But the central wholesale market does have the merit of putting sellers directly in touch with several buyers and it has the merit of price discovery through impersonal market relationships.

In direct trading -- including contractual trading -- relationships are personal indeed. That is one reason why the relative bargaining power of the participants is so important. In integrated arrangements there is danger that the competitive process of trading may be bypassed altogether.

Along with these changes has come what is often referred to as the drive for specification production. Indeed this drive for a more regular and more predictable supply of raw product, tailored to the needs of mass merchandising, is a major force in the move toward closer coordination of production and marketing.

Our new and still evolving marketing system, like the big and, in a major measure, nonfarm business that it is, also brings with it all of the accoutrements of modern merchandising -- branding, promotion, market development, and other forms of nonprice competition which have come under attack in some quarters as practices which may unnecessarily add to costs in marketing.

All of this is pretty much alien to agriculture. But farmers are adaptable and they have already gone far toward adjusting to the physical changes in marketing. There is little doubt that in the future they will do even better in tailoring their products to meet the needs of the market.

How Can Farmers Get Their Fair Share?

The continuing problem -- the one that causes renewed interest in cooperatives and cooperative bargaining efforts -- is an economic one. Stated simply, the issue is how an agricultural production system composed of basically small units -- even though they become fewer and larger than they now are -- can win equitable returns in an economy that features in all other segments a substantive concentration of economic power. Farmers state it more simply still: "How can we get our fair share?"

Farmers are not alone in their concern, however. The public has an interest, too. Farming is, after all, the source of our food supply and the base of our whole national economy. In the final sense, farm policy, including farm marketing policy, is public policy.

From the beginning it has been public policy in this country to foster an agriculture of relatively small independent units. There is ample precedent for the policies of President Johnson and Secretary Freeman in seeking to maintain the independence of those units -- and in giving strong support to cooperatives as a major means through which this may be accomplished.

What cooperatives can do will doubtless be studied also by the National Commission on Food Marketing as it gets into its work of assessing the changes that have swept the food industry over the past 20 years and describing what kind of system might retain the benefits of those changes and yet achieve -- in the words of the Congressional Resolution -- "a desired distribution of power as well as desired levels of efficiency."

Need for Cooperative and Other Bargaining Aids

I think there is general agreement that despite the long history of the cooperative movement, despite many notably successful organizations, the potential for cooperatives and for cooperative bargaining is a long way from realization in this country. Yet in today's setting, the development of cooperative endeavor may be not only promising but essential.

Cooperative bargaining, for example, definitely has a place. This is not to say that it is invariably or exclusively appropriate. There are other aids to bargaining strength. We have seen the traditional marketing, supply, and service cooperatives grow in size and influence. Government programs, too, can help immeasurably in strengthening the position of farmers in marketing. I refer to such programs as marketing agreements and orders, price support, and price assistance through surplus removal operations.

Several other services of my own agency also contribute, more indirectly, to helping farmers to market more effectively. These include grade standards and grading services, market news, inspection, regulation of trade practices, school lunch and other forms of food distribution, and the Food Stamp Plan. Some of these services are performed by AMS alone; some are carried out jointly with States.

However, a major point I want to make is that, in my opinion, no one of these institutions or programs is of and by itself the answer to marketing problems. Most often, I believe, a combination of some or all of these courses can be more effective than any one alone.

Marketing Agreements and Orders as Guidelines

The hard question is what kind of marketing institutions, or what combinations, work best under given circumstances. There is no easy answer. But I suggest that this is an area in which we need to work toward formulating some down-to-earth guidelines. I am reminded here of what someone once said about finding answers to complex problems -- "There is an easy answer to every complex problem. It is simple, concise, direct, logical -- and wrong."

We will not formulate such needed guidelines in a day or even in a year. But we can begin. For a starter, let's take a look at what marketing agreements and orders can do and what they can't do -- for surely this is one of the important issues in the current bargaining efforts of cooperatives.

Like cooperatives, marketing order programs are a device to enable individuals to act together to do things they could not do as individuals. They differ from cooperatives in one important respect: They contain the power to give industrywide effect to their provisions. The absence of that authority in cooperatives bears particularly on the potential success of bargaining cooperatives. It remains a moot issue as to whether cooperative bargaining can go very far without authority to bring the disinterested minority into its contracts. The nonmember can often undo the good work achieved by members.

Nevertheless, we should remind ourselves that an order program fundamentally rests on the support of a solid majority. It must have a majority endorsement as base of support. For this reason it is often possible to vote orders into effect only if a substantial part of the marketing is done by producer cooperatives.

If marketing orders are to be used more widely, it may be necessary first to establish more effective cooperatives to provide the strong underpinning of producer organization and support a successful market order program requires. There is sort of a chicken-and-egg question as to which comes first -- strong cooperatives or marketing order programs. The point is that they seem to go together.

It is not without significance that many of the successful bargaining cooperatives have the aid of either Federal or State orders.

Of course, for full use to be made of Federal orders, it would be necessary to relax the terms of law that exclude many processing crops. And in fact I believe that until this is done, cooperative bargaining in fruits and vegetables will continue to labor under severe handicap, except where State orders can be used.

I am not saying that Federal marketing orders are any sort of panacea. Also, what they can do is strictly limited by law -- a law which says that the U.S. Department of Agriculture must see to it that they operate in the public interest. But they can be an extremely useful tool in bringing about more orderly marketing. And as a bonus, they can also bring about more cooperation between cooperatives.

Cooperation Between Cooperatives

The latter is a goal that many cooperative leaders aspire to -- they are well aware of the dangers of excessive fragmentation. The plea for more cooperation among cooperatives is not new -- but it is necessary.

We might also enter a plea for more cooperation between bargaining cooperatives and the various kinds of marketing cooperatives. This is much more easily said than accomplished. Professor Hoos of the University of California has said that "...as one looks forward, ...(he) may see a day when there will be a growing struggle between cooperative bargaining associations and cooperative processing associations." He then adds, "great understanding and what one might call statesmanship will be called for so that both of these alternatives can continue to grow side by side without one smothering the other."

Statesmanship -- to be able to choose and use whatever tools fit each case -- requires a capacity for industrywide vision. It precludes a narrowly parochial view -- and it certainly precludes preoccupation with competition for member loyalty in lieu of working together to resolve common problems. It requires leadership -- yes, setting the standards of conduct and performance for the marketing system.

Cooperation, after all, is not solely or even primarily a special-privilege device for its members. Its special purpose is to achieve more orderly marketing in the public interest. And at its best it can and does yield benefits to producers, consumers, and market agents alike.

Determining the Role of Cooperative Bargaining

Cooperative bargaining, which now engages the attention and the imagination of so many people, may not be quite the power device that some people hope for -- but it can well be a more useful tool than it has yet generally proved to be in helping farmers to improve their marketing efficiency, their competitive position, and their economic status. It can be an especially useful tool if it can be linked to, and fitted in with, other aids to orderly marketing.

Perhaps it is time for both national farm organizations and established bargaining associations to meet and try to reach an understanding as to the place cooperative bargaining may have in the future, and as to rules of conduct in it. They may, hopefully, attain accord as to what new enabling legislation may be required.

Perhaps these ideas are daydreaming. Possibly farm groups have not yet reached this stage in their development.

It is factual, however, and not dreaming at all, to recognize that the proper place of bargaining and other cooperation is an issue of the moment. Cooperation is on the agenda of discussions of public policy for agriculture because actual developments in the marketing system have put it there.

For surely the old days have departed from us and they will not return. We are midway in an age of science and technology. Our capacity to produce food and other farm products for the benefit of our 190 million consumers and many more millions abroad almost knows no bounds. The greater question is how best to market those products to the time-honored ends of efficiency and equity.

There must be orderliness to our marketing system. Yet it cannot be the orderliness of uncontrolled monopoly. In the American tradition, a door must be kept open to new producers and new processors or handlers and the consumer will insist on receiving an abundance of good food at reasonable prices.

Within those boundary lines there is good cause to develop and utilize the various cooperative methods available to us, as are appropriate in each circumstance. They may be bargaining cooperatives, or supply and marketing cooperatives, or marketing orders and agreements under the aegis of government, or direct government help as in surplus removal or market development. Each has its place, singly or in combination. Through the policy statements of President Johnson and Secretary Freeman, the U.S. Department of Agriculture is committed to be of service to cooperatives.

Teamwork Needed

But what needs to be done cannot be done by the USDA alone -- far from it. To ascertain how best to use each instrument of cooperative action, to the benefit of agriculture and in the public interest, calls for teamwork. To choose the best course to follow requires the talents of producer groups, of cooperative leadership, and of government. We invite joint counsel and pledge our participation in it.

As I see it, the need for cooperative endeavor has never been greater. And because cooperatives today are -- as President Johnson described the State of the Union -- "free, restless, growing, and full of hope," their future, I believe, is bright if they choose to make it so.

IMPORTANT ISSUES IN CURRENT BARGAINING EFFORTS

David L. Call

H. E. Babcock Professor of Food Economics
Cornell University
Ithaca, New York

It has been very interesting for me to participate in this conference and have the opportunity to present my views near the end of the program. I purposely delayed writing down my comments until the last minute so I might get the feel of what is going on with respect to your efforts at the present time. Listening and participating in these deliberations has brought to mind two general areas which I would like to comment on at this time.

The Role of Bargaining Associations in the Food Complex

Those who have in any way been connected with the production and marketing of food are aware of the tremendous changes that have taken place in this industry in the last 30 years. Over the last three decades there has evolved in this country a food complex that has superseded what was traditionally considered to be the agricultural sector of our economy. The food complex is a group of highly interrelated, interdependent industries responsible for the production and marketing of food in the United States today.

Combined in this complex are three sectors of our economy that we used to consider relatively independent. These three, the production and distribution of farm inputs, the basic production of agricultural commodities, and the marketing of food products, no longer operate independently. These three industries are now closely tied together and we find that their actions vitally affect the other industries in the complex.

You who have been involved with bargaining efforts have been a part of this evolutionary process. You have seen the increased emphasis on marketing and the increased pressure for working relationships between all sectors of your industry.

As a part of this complex, it is important to realize that in many cases your members may be forced to adopt new practices or conform to policies that may not be acceptable at the first glance. Nobody likes regimentation; nobody likes to be forced to change his methods of operation to conform with someone else's. But if you are to be a part of an integrated, interrelated, high-volume industry, you should plan, the sooner the better, to get in step with your partners in the industry. Don't waste your time trying to get the other person to change and get in step with you. The old saying that everyone is out of step but me is not an appropriate philosophy in today's food industry.

I think it is safe to say that in many people's eyes bargaining associations are not an important part of the food complex. From the standpoint that the complex would continue to function if these associations were to disappear, they are probably right.

Therefore, at this time it seems quite appropriate that those who foster producer group action whose primary emphasis is on bargaining give serious thought to their role in today's food complex. You know as well as I there is no place for excess baggage in this streamlined industrial complex that is in the process of evolving. Each component must pull its weight or step aside. Consider the plight of the terminal markets for livestock.

In the future the food complex will become even more integrated, interrelated, and confusing to the outsider. Standardization of operating procedures particularly on the part of the retailer will leave even less room for those food products that can't keep in step. There will be stronger pressure for uniform products, relatively stable prices, steady supply, and supermarket styling and "acceleration." The products that do not have these characteristics will find it increasingly difficult to stay on the retailer's shelf.

If bargaining associations can enhance their members' products with respect to these five characteristics, they will be performing a real service. Of course, if through your efforts your members' product loses some of these characteristics you are swimming up stream in a strong current.

In addition to product characteristics, there is the intangible area of equity. Bargaining associations whether they realize it or not have concentrated their efforts in this area. The changing market structure in the food complex has made it essential that someone address himself to this question of equity. The National Commission on Food Marketing is a much needed effort in this area.

In summary on this point, I feel it essential that your organizations take a long hard look at what role they play in this food complex. I would hope an examination of this question would provide some sound guidelines for the future growth, development, and contribution of agricultural bargaining groups.

Obstacles to Producer Membership

I have yet to hear of a bargaining or marketing association that had too many qualified members. In fact, there is little doubt in my mind that the biggest obstacle to success on the part of your groups has been insufficient producer support. Just to stimulate discussion, I would like to outline briefly what I feel are the major obstacles to increasing producer membership in bargaining-marketing groups.

1. Philosophy

Some producers are just against joining this type of group. If we could examine their prejudices in detail, we would probably find they have had an unpleasant experience in the past or that they have been "educated" by someone who wished to develop this philosophy.

2. Cost

Many producers use cost as a justification for not joining a group. Although the cost on a percentage basis may seem low, the final sum might seem large particularly to the marginal operator.

3. Inadequate Benefits

One of the major obstacles to membership has been the difficulty that bargaining associations have had in pointing to specific monetary gains. We never know what would have happened if the group hadn't bargained, so the tendency is to promote claims that are difficult if not impossible to prove with facts. Many producers are not willing to accept these claims.

4. Financial or Legal Ties

Of importance with certain crops are contracts between the producer and other parties which prevent his membership in a bargaining group. Processor financing, landlord agreements, bank loan agreements, and other forms of contracts curtail participation.

5. Risk

Some producers are not willing to take the risk which is involved in membership. They may be worried about a home for their product and fear participation may jeopardize this arrangement.

A problem here is that as producers become more specialized in the production of a few crops, the risk becomes greater. Their alternatives are fewer, they have a large investment in special equipment, and they feel they can't risk becoming involved in any form of withholding action. Threats or rumors of discrimination against membership are a real fear to the man whose livelihood is tied up in one or two crops.

6. Special Situation

Some producers feel they can't afford to join a group because they may have a special deal going which they are not willing to give up to join a group. In a few instances the producer may be large enough that he may feel he has some market power by himself.

7. Lack of Understanding

In spite of the millions of words that have been written and spoken on the marketing situation, there are still producers who do not understand the need for this type of group action. They may not be against it but they have not been educated to the extent that they are for this type of program.

8. Nonmember Benefits

Closely linked to number two and three above is the problem that bargaining associations have not been able to show the difference in benefits between members and nonmembers. Since the nonmembers appear to receive the same benefits at no cost or risk, they are reluctant to join. In some cases bargaining groups have not done a very good job in pointing out the non-monetary benefits which members enjoy.

These eight obstacles overlap and probably are not all applicable in any given situation. But the point I wish to make is that they must be removed if producer efforts in bargaining are to succeed. Some, like financial and legal, are extremely difficult to overcome; others are being worked on all the time. The road to success is filled with obstacles; only a coordinated effort can remove them.

IMPORTANT ISSUES FOR BARGAINING COOPERATIVES

Ralph B. Bunje, General Manager
California Canning Peach Association
San Francisco, California

Price bargaining for agricultural commodities in the United States appears to be gaining favor. Evidence of this can be found in the inquiries that you gentlemen are receiving from farmers in your States.

The decision of the American Farm Bureau Federation to establish the American Agricultural Marketing Association emphasizes the interest held by one of the Nation's largest general farm organizations.

The activities of the National Farmers Organization is further evidence of the widespread interest that farmers and their organizations have in the business of price bargaining. The growth of bargaining cooperatives such as I represent here on the Pacific Coast lends emphasis to the increasing desire on the part of many farmers to improve their price bargaining position.

Perhaps the most successful experience thus far in price bargaining is that which we have enjoyed on the Pacific Coast with canning fruits. The prices of peaches, pears, apricots, and figs during the past 10 years have been influenced or established by the presence of established farmer-owned and operated bargaining and marketing cooperatives. These commodities make up a major share of the canning fruits in the United States.

Price bargaining for apples for processing is receiving major attention, both in California and in the major producing areas of the United States. R.S.P. cherries have also availed themselves of the benefits of a price bargaining and marketing association. Most of the established associations dealing with processing fruit might be described as bargaining-marketing cooperatives.

They are characterized by the fact that the association generally holds title to the fruit and markets it to the processors. There is a real factor of economic responsibility associated with this type of bargaining association. Failure of the association to perform a satisfactory service to its members can lead, and has led, to sudden changes in management and direction of the association.

Future Growth of Bargaining Associations

The growth of price bargaining associations in other fields than in processing crops has not been widespread in the United States. There is some question, however, as to whether this situation will continue to prevail in the future.

In a recent address, Chairman Jesse Tapp of the Bank of American Board, talked of the increased share of the total agricultural production being borne by the integrated and corporate farm enterprise. His emphasis on the need for management and market analysis and low unit costs with large volume is evidence of the change in farming that will take place at an increasing rate in the United States.

These changes will undoubtedly be associated with other changes, particularly in the area that affects the total gross dollar sales of the agricultural enterprise. Management decision in the field of corporate farming will undoubtedly respond in a manner not unlike the response in the field of industrial and commercial management activities.

Policy decisions will be based upon the entire picture -- the cost of production, the market potential and the need for profits within that framework.

Certainly no one associated with agriculture can view the results of labor-management bargaining in 1964 with any feeling of security and assume that similar cost increases will not affect his commodity with increased production costs. Such cost increases will undoubtedly bring a greater demand for bargaining power in establishing the fair market values for the commodity to be sold. Increased farm production costs need to be recovered and the marketplace is the only logical source of increased income.

The increasing emphasis on the need for economic strength on the part of the many segments of our society can only result in a further need to develop marketing strength on the part of individual farmers through cooperative efforts.

Those of us who have been close to this problem are perhaps more conscious of the need than others. It is interesting to watch this need being translated into operating groups and organizations and political positions.

Will this need be fulfilled by the political route of Government pricing or the economic route of proprietary and cooperative activities? Your speaker believes that the only real and lasting progress can be obtained through economic justification. While political means might be achieved in a lesser period of time, the economic means, in my opinion, will be more lasting.

Choices Available to Agriculture

American agriculture has a number of choices to fulfill the need for better returns and better prices.

1. There is the bargaining and marketing cooperative with a record of success here on the Pacific Coast. It is the basis upon which the Farm Bureau has approached its bargaining activities. This approach gives evidence of a successful way of achieving a measure of bargaining strength through economic means. The associations, for the most part, are cooperative marketing groups responsible for pricing and marketing and collecting the money for the sale of the product. Such associations are voluntary and, as such, are fully responsive to the wishes of their members.

2. Another approach is that used by the National Farmers Organization. Evidently the NFO, having failed to convince processors of the need for, and importance of, dealing with an organized group of farmers, has resorted to the "withhold" as a means of forcing processors to sign uniform marketing agreements. NFO appears to have borrowed liberally from the experiences of organized labor in seeking to establish its goals and to organize.

The failure of the NFO to have achieved any long-lasting agreements is undoubtedly a source of major disappointment to the many farmers who have looked to this method of price bargaining to satisfy their current needs. Should it be successful in the future, it can have serious long-range political and economic impact on price bargaining.

3. Another means of securing price bargaining strength, and about which little has been written, would appear to be by creating a legislative climate within which price bargaining may be carried out with some degree of legislative protection and enhancement. California has a law that prohibits discrimination by a buyer against a farmer who is a member of a bargaining association. Farm Bureau is sponsoring a similar bill in the Congress. This legislation is primarily concerned with describing and preventing unfair practices.

Some State legislators have considered the creation of a "Wagner Act" for agricultural bargaining associations. Such an approach would provide the conditions under which mandatory recognition of the bargaining association would be required. Such legislation would also provide for the rules and regulations under which price bargaining may take place. In addition to enforced membership and recognition, there would be a checkoff and a list of unfair practices. This route would mean adopting the legislative approach that has worked so effectively for organized labor.

4. Processing or handling cooperatives have had great success in California and elsewhere. Such cooperatives which perform the complete marketing function from farm to distributor have a great record of performance. In California there has been wide use of both bargaining associations and processing cooperatives with dual membership.

5. Another alternative is Government pricing either through appointed and supervised boards or by direct fixing of the prices of agricultural commodities.

Which of these alternatives will prevail for agriculture in the future?

Any one of these approaches can be modified or enhanced through the operation of marketing orders and agreements. They provide farmers a democratic means of achieving uniform grade standards, uniform surplus control devices, and the uniform sharing of promotion and advertising costs.

Bargaining Prospects Good

It is my firm belief that the prospects for farm commodity bargaining in the future are quite bright. As the size of the individual farm unit becomes larger, as the emphasis on collective action by other segments of the economy is amplified, as costs become greater and markets become more responsive to the influences of collective economic strength, there will undoubtedly be a greater need for, and subsequently a desire for, providing the means outside of direct Government assistance for farmers to achieve prices and values consistent with their investments, costs, and economic importance.

The principal alternatives appear to be the use of Government supports and Government pricing which would be characterized by increased Government controls and supervision or the establishment of strong and well-organized processing and handling cooperatives and the development of substantial bargaining cooperatives with maximum economic strength and economic responsibility. Either alternative may require additional legislation.

It is unfortunate that many of the processors and commercial handlers of agricultural commodities are not fully aware of the prospects and need for changes, and the implications that are surely associated with these impending changes.

The alternatives are becoming fewer in number and, in my opinion, will inevitably involve some measure of cooperative undertaking, either through voluntary means or mandatory means-- either through and by Government control or through and by the individual in control of his own organization.

I believe that the cooperative bargaining-marketing approach is the one most calculated to have long-reaching values to farm operators. It provides for economic responsibility and farmer control and enables the farmer to make effective use of legislative authorizations, such as marketing orders and agreements, whenever he finds that his own best interests are served.

IMPORTANT ISSUES IN CURRENT BARGAINING EFFORTS

C. William Swank, General Manager
Ohio Agricultural Marketing Association
Columbus, Ohio

An important issue in bargaining today is how to find an acceptable way of increasing the bargaining power of farmers. Farmers need more "market muscle" if they are to find a way to deal with some of the discriminatory trade practices leveled at them by some processing firms when farmers become members of bargaining associations.

In Ohio we are actively considering the power of the retail chainstore as a means to put more market muscle in the hands of farmers and to fit more smoothly into the food distribution system of the future. Farmers see a rapidly changing food distribution system with more integration and specification buying reflected throughout the system. This specification buying and integration are reflected to the farmer through contracts for production of a certain quality and quantity of food product at a given time and at a specified price. While not all farmers are convinced that they like this new development, most are convinced that it is going to be here for a long time.

It seems clear that the only way farmers will have a great deal to say about the contract under which they will be asked to produce is to get together in marketing and bargaining associations so that they can represent themselves as a group when discussing price and contract terms with the processor or other integrator.

The Farm Bureau at both the national and the State organization levels has indicated its willingness to give leadership to these marketing and bargaining efforts in areas where there is real interest on the part of the farmer and where marketing and bargaining cooperatives are not in existence.

This leadership has led to the formation of the American Agricultural Marketing Association and State marketing associations in more than 27 State Farm Bureau organizations. While the scope of these marketing activities is necessarily small at this time, it is my conviction that these activities must be greatly broadened if farmers are to remain in the traditional role of businessman and decision-maker in his own industry.

Experience has shown that it is difficult to deal effectively through marketing and bargaining cooperatives on contract crops unless there is full farmer support and understanding and unless the processing or packing firms cooperate in the business transaction.

To say it another way, it is difficult to put together a strong bargaining association in the face of outright discrimination and economic coercion on the part of processing and packing firms. Many farmers who have been interested in bargaining and marketing associations have felt this type of economic coercion and have found it virtually impossible to remain a member of a bargaining association and still secure a contract and thus remain in business.

If we are to put together strong marketing and bargaining associations, we must have the economic strength to give adequate protection to the interest of the farmer who wants to be a member and yet wants to remain in business. There are several alternative ways to achieving this strong position but the one that seems most feasible at this time and the one most acceptable to both farmers and processors is for farmers to invest in retail outlets as a means of strengthening their bargaining position.

Recent Changes in Food Distribution

In order to see how producer investment in retail chainstores would strengthen the farmer's bargaining position, it is necessary to observe some of the changes that have taken place in the food distribution industry in recent years. At one time, the power position in the food distribution system was occupied by the large national processing firms. These firms had national brand names which were highly advertised and which stood for high quality merchandise. Retail stores were of the "mom and pop" variety and to be a quality store, it was necessary to have national brand-named items on the shelves.

In recent years, the retail food distribution business has been taken over by the corporate chains and voluntary chains so that today over two-thirds of the food sold in the United States passes through the hands of chainstores. With this development the power position has shifted to the retail level.

Brand names are still important but the public is being wooed away with the private label brands of the retail chainstores. The private label brand identified with the national chains is given prominent shelf space and is also highly advertised. Quality has been maintained at an equal level with the nationally advertised brand names so that over time the public comes to accept the retail brand as not only satisfactory but sometimes superior.

Since the retail firms are in a position to know the quality of merchandise they can sell, and about the quality and quantity of merchandise needed each week and each month of the year, they are in a strong position to specify to the processors, packers, and other suppliers their needs. The large processors and packers must meet these needs if they are to sell their product at all since a large proportion of the total pack is sold through these corporate chains.

As these specifications are reflected back through the system toward the farm level, in the next 15 to 20 years I predict they will take the form of actual contracts for quantity and quality of farm products as well as a specific time for delivery. These contracts already exist in certain agricultural industries but are likely to exist in a wide scope of agricultural industries.

This new development is neither good nor bad, it is simply different. It could be a healthy development for agriculture because production geared to a specific contract and to a specific market need is an effective way to meet supply and demand at a reasonable level. This system carried to its ultimate gives some hope of eliminating the constant overproduction that plagues the agricultural industry. It is also clear, however, that unless farmers act soon to create marketing and bargaining associations to deal with this contract production, they will lose the role of decision-maker and simply be forced to say "yes" or "no" when a contract is offered to them. The broiler industry is a good example of how swiftly vertical integration can take place at the producer level and how little the producer has to say about the terms of the contract under which he produces.

If the packing and processing industry would fully cooperate with producers in the establishment of responsible marketing and bargaining associations, we would not need to be concerned about strengthening the position of the producer. This type of cooperation has not been evident in the past and is not likely to be evident in the future. National or regional market orders can be used to bring about processor recognition and cooperation with bargaining associations but this alternative has not been fully accepted by farmers.

Legislation of a slightly different nature and similar in many aspects to the Wagner Act of 1935 would also give farmers the legislative backing that could bring processors and farmer associations together in a cooperative way but this type legislation has little appeal to farmers. We are thus forced to seek some type of "market muscle" that fits into the free-enterprise system cherished by farmers and Americans alike and yet of significant proportions so that it will give farmers the necessary strength to create the bargaining and marketing associations that will be necessary to cope with the agriculture of the future.

Need To Strengthen Cooperatives

Strengthening marketing and bargaining cooperatives through the control of a significant amount of "shelf space" in the national retail chains seems to be the most logical way for farmers to move into the new marketing era. It will be clear to the entire food distribution system that farmers are serious in their activities to create marketing and bargaining associations. Bargaining associations operating under "full-supply contracts" can participate in integrated agreements through the food distribution industry that can create economic savings. With strong marketing associations bringing the right amount of product to the market, farmers can share in these economic savings. As mentioned before, producing under actual contract agreements gives the greatest hope on the horizon of avoiding the constant oversupply that plagues the agricultural industry. Bringing supply and demand into balance is the only way that agricultural prices can be significantly increased.

It should be obvious that in discussing the marketing and bargaining programs of the future, we are not just talking about the fruit and vegetable industry. We are talking about the major agricultural commodities of this country. We are talking about meat, milk, and eggs. We are talking about the economic forces that will bear on the farmer over the next 20 years.

If we move quickly, responsibly, and actively on programs that will put farmers in the power position and let them remain in the role of decision-makers, the economic forces that are coming will make us successful in our marketing and bargaining efforts. If we wait until the forces have acted upon the farmer and then hope to create a strong position after the integration has taken place, those forces will deny the creation of a strong marketing position.

In the last 40 years farmers have built and paid for some large agricultural marketing cooperatives, farm supply cooperatives, and insurance companies that have made a significant contribution to the welfare of the farmer. In suggesting that farmers create a position of power and move with the economic forces of today and those coming tomorrow, I am also suggesting that we utilize the resources of these agricultural businesses that have been developed over the years. I am suggesting that we utilize the management know-how that exists in agriculture and help these cooperatives fit into the new system. Dan Padberg, an economist at the Ohio State University, likens this new development to the situation that confronted the Wright brothers at Kitty Hawk. Man has known for centuries that he ought to be able to fly. He knew that theoretically man had the ability and the power to get off the ground and to fly through the air. Many, many attempts were made to fly before one was finally successful. We have made many attempts in agriculture to put together a system that would work to the benefit of the farmer as well as to the consumer. It may well be that we have in hand a system that will get the farmer off the ground and into a strong position.

Farmers Have the Ability and the Money

Two questions remain to be answered. First, could farmers gain control of a significant amount of shelf space? Again, the answer is "yes." The big three of the food retail industry account for more than 18 percent of the total food sales in this country. This is a significant amount. In fact, the sales of any one of these three is significant.

The second question is whether or not farmers can put together the kind of money necessary to buy a national retail chain? I suggest to you that if less than a third of the Farm Bureau members of this country would invest \$100 a year for only 4 years, we could generate \$200 million. Even in today's dollars, \$200 million is a significant amount of money. Through the use of a modest investment in a holding company, coupled with orthodox financial arrangements, farmers could control a significant amount of "shelf space." With the wise and proper use of this shelf space, farmers can create and maintain strong bargaining and marketing associations that will work to the benefit of the farmer in the future.

I have been asked many times if farmers have the economic resources to invest in the retail chainstores. Many economists suggest that any loose money in the pockets of the farmer should be invested in increasing his efficiency or his production. A study by Arnold Aspelin, published by the University of Nebraska in 1962, indicates that according to the 1959 census farmers had invested a total of \$200 billion in assets given to agricultural production. This included investments in land, chattels, operating capital, stocks, and bonds, and the like. During that same year the food wholesale, retail, and manufacturing industry, according to book value, had a total of \$27 billion invested in the industry. In other words, the assets committed to agricultural production are roughly eight times the assets committed to food, wholesaling, retailing and manufacturing.

Using the figures reported in the 1959 census, Mr. Aspelin reported that the profits on the assets for corporations engaged in food manufacturing, wholesaling, and retailing amounted to five times the amount of profits on the assets committed to agricultural production. It seems clear that not only do farmers have the economic assets to invest in another segment of their industry, but their profits might well be greater if a portion of their capital were thus invested.

From the signs all around us, and the reports given at this annual meeting, the reports in the agricultural publications, and the reports of our agricultural leaders, it is clear that farmers must adapt to a new kind of agricultural marketing system. I maintain that farmers can create a strong position for themselves through strong marketing and bargaining associations. They can thus fit into the agriculture of the future and become a healthier, more profitable industry.

Farmers have often said to me, "Why can't we operate like business operates?" Under the kind of system being suggested here, farmers will operate like business operates. To bring this about, the creation of these strong marketing associations, some kind of power is needed. It seems that the most feasible type of power position would be through the free-enterprise route and that of getting hold of the strongest segment of the food distribution industry today: the retail chainstore . By utilizing the financial resources of the American farmer and the educational and organizational structures of farm organizations and farmer cooperatives, farmers can remain in the role of decision-makers. They will be able to act through the food distribution system rather than being acted upon by the system. The project of owning a significant amount of shelf space is a feasible project and one that can capture the imagination and support of the various farm interests across the country.

The challenge before us in agriculture is to put our resources and efforts together in areas where they fit. This does not mean losing identity but rather it means gaining strength through coordination of efforts in a national project with economic implications for all cooperatives and all bargaining associations. Gaining control of a significant amount of shelf space will be an empty exercise unless we put together responsible marketing organizations that can fit smoothly into the food distribution system of the future and over time can do a better job of bringing the right amount and the right quality of food products to market. I, therefore, urge you to consider a proposal that deals with the future of agriculture and holds promise of increasing farm income. Now is the time for you as farm leaders to study, to decide, and to act!

APPENDIX

RESOLUTION

WHEREAS: Bargaining cooperatives are important in improving the economic position of fruit and vegetable producers with more than 58 associations and approximately 40,000 members; and

WHEREAS: The National Bargaining Conference enables representatives of these cooperatives to come together to exchange ideas, learn of new developments, and discuss mutual problems; and

WHEREAS: At the request of the bargaining cooperatives, the United States Department of Agriculture has sponsored and arranged these annual conferences which have become increasingly significant over the past 9 years in helping to gain a better understanding of the role of these organizations in improving farmer bargaining power;

THEREFORE BE IT RESOLVED: That the fruit and vegetable bargaining cooperatives express deep appreciation to the United States Department of Agriculture and to the Farmer Cooperative Service in particular, for planning and conducting the highly successful conference held in Seattle, Washington, January 16-17, 1965. We request that a similar program be arranged for 1966 in Washington, D. C., just preceding the annual meeting of the National Council of Farmer Cooperatives and that Joseph G. Knapp, Administrator, Farmer Cooperative Service, and J. Kenneth Samuels, Director of its Marketing Division, continue their leadership before and during these conferences.

Robert E. Collins, President
California Canning Pear Association

PERSONS ATTENDING THE BARGAINING CONFERENCE

J. Hugh Aaron	Washington Asparagus Growers Association, Sunnyside, Wash.
Albert Anderson	Maine Potato Growers, Presque Isle, Maine
C. C. Bateson	Oregon-Washington Vegetable and Fruit Growers Association, Salem, Oreg.
Hedwig Bisig	Independent Red Raspberry Growers of Washington, Inc., Tacoma, Wash.
Richard L. Black	California Freestone Peach Association, Modesto, Calif.
Harold C. Blanksma	Treasure Valley Bargaining Association, Nampa, Idaho
Earl Blaser	California Cannery and Growers, San Francisco, Calif.
Ronald Brummond	Mayville, Wis.
Ralph B. Bunje	California Canning Peach Association, Inc., San Francisco, Calif.
David L. Call	Cornell University, Ithaca, N. Y.
G. Alvin Carpenter	Agricultural Extension Service, University of California, Berkeley, Calif.
G. H. Carter	Washington Asparagus Growers Association, Prosser, Wash.
Orlo S. Carver	Oregon-Washington Pea Growers Association, Milton-Freewater, Oreg.
Mrs. Orlo S. Carver	Oregon-Washington Pea Growers Association, Milton-Freewater, Oreg.
Ugo Cavaiani	California Canning Peach Association, Ballico, Calif.
L. A. Cheney	Michigan Association of Farmer Cooperatives, Lansing, Mich.
M. L. Clements	Treasure Valley Bargaining Association, Nampa, Idaho
W. R. Clevinger	Seattle University, Seattle, Wash.
Robert T. Coats	California Canning Peach Association, Yuba City, Calif.
Gene R. Coe	Washington Asparagus Growers Association, Sunnyside, Wash.
Fritz Collett	Oregon-Washington Vegetable and Fruit Growers Association, Salem, Oreg.
Walter R. Collett	Oregon-Washington Vegetable and Fruit Growers Association, Salem, Oreg.
Robert E. Collins	California Canning Pear Association, San Francisco, Calif.
Robert Cook	Producer Marketing Service, Puyallup, Wash.
Ralph M. Cooper	Wisconsin Council of Agriculture Co-operative, Madison, Wis.
U. F. Corkrum	Oregon-Washington Pea Growers Association, Waitsburg, Wash.

Robert Cowan	Seattle Milk Producers Association, Seattle, Wash.
Don Curlee	Western Fruit Grower, San Francisco, Calif.
Charles Cuttins	Oregon-Washington Farmers Union, Enumclaw, Wash.
Helen Cuttins	Oregon-Washington Farmers Union, Enumclaw, Wash.
Dana Dalrymple	Federal Extension Service, U.S.D.A., Washington, D.C.
R. N. Dickinson	Pacific Supply Cooperative, Portland, Oreg.
Emil E. Dietz	California Agricultural Marketing Association, Berkeley, Calif.
Clifford J. Dills	Washington Asparagus Growers Association, Granger, Wash.
George Douglass	Washington Asparagus Growers Association, Grandview, Wash.
Joe Dwyer	Washington State Department of Agriculture, Olympia, Wash.
Robert H. Eaton	Fruit and Vegetable Division, AMS, U.S.D.A., Portland, Oreg.
A. J. Edinger	California Tomato Growers Association, Stockton, Calif.
Don E. Edison	Farmers Grain Dealers Association, Des Moines, Iowa
Warren Farmer	Malheur Potato Bargaining Association, Nyssa, Oreg.
E. M. Faye	Sunsweet Growers, Inc., San Jose, Calif.
Howard Fowler	Maine Potato Growers, Presque Isle, Maine
Earl R. Franklin	Washington State University, Pullman, Wash.
Berkley I. Freeman	Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Walter M. Furbay	Farmer Cooperative Service, U.S.D.A., Washington, D.C.
R. R. Garver	Oregon-Washington Pea Growers Association, Walla Walla, Wash.
Clarence A. Gehrig	Ohio Council of Farmer Cooperatives, Inc., Columbus, Ohio
Walter A. George	Washington Asparagus Growers Association, Sunny-side, Wash.
Cameron Girton	California Canning Pear Association, San Francisco, Calif.
Roland H. Groder	Fruit and Vegetable Marketing Division, Oregon State University, Corvallis, Oreg.
Charles H. Guiney	Maine Potato Growers, Presque Isle, Maine
Frank Hackner	Washington Asparagus Growers Association, Toppenish, Wash.
Harold Hambelton	Oregon-Washington Farmers Union, Enumclaw, Wash.
James R. Hammack	Hammack and Fowler, Mount Vernon, Wash.
Robert N. Hampton	National Council of Farmer Cooperatives, Washington, D.C.
Harold J. Hartley	American Agricultural Marketing Association, Chicago, Ill.

Floyd F. Hedlund	Fruit and Vegetable Division, Agricultural Marketing Service, U.S.D.A., Washington, D.C.
Everett Heikes	Oregon-Washington Vegetable and Fruit Growers Association, Cornelius, Oreg.
Elmer Heitstuman	Washington Asparagus Growers Association, Lowden, Wash.
Reinard Helder	California Canning Peach Association, Marysville, Calif.
E. V. Higgins	California Canning Peach Association, Inc., San Francisco, Calif.
W. Gifford Hoag	Farm Credit Administration, Washington, D.C.
Joe Hobson	Oregon Farm Bureau Marketing Association, Ontario, Oreg.
Harlan L. Hovander	Northwest Washington Farm Crops Association, Mount Vernon, Wash.
L. S. Hulbert	American Institute of Cooperation, Washington, D.C.
W. R. Illman	Oregon-Washington Vegetable and Fruit Growers Association, Inc., Ferndale, Oreg.
Andrew Ingalls	Oregon-Washington Vegetable and Fruit Growers Association, Kent, Wash.
Richard Johnsen	Agricultural Council of California, Sacramento, Calif.
Dale Jones	Treasure Valley Bargaining Association, Nampa, Idaho
Henry Kando	Route 4, Nampa, Idaho
John W. Keltner	Oregon State University, Corvallis, Oreg.
Cecil E. Kent	University of Idaho, Boise, Idaho
Winton J. Klotzbach	Cherry Growers, Inc., Traverse City, Mich.
T. O. Kluge	Sunsweet Growers, Inc., San Jose, Calif.
Joseph G. Knapp	Farmer Cooperative Service, U.S.D.A., Washington, D.C.
William C. Knope	Agricultural Marketing Service, U.S.D.A., Portland, Oreg.
Einer Knutzen	Northwest Washington Farm Crops Association, Burlington, Wash.
James Laird	California Canning Peach Association, Inc., San Francisco, Calif.
Glenn Lake	Michigan Milk Producers Association, Detroit, Mich.
Allan F. Larsen	Potato Growing and Marketing Association of Idaho, Blackfoot, Idaho
Don Lewis	Washington Asparagus Growers Association, Sunnyside, Wash.
Earl P. Liggett	Oregon-Washington Vegetable and Fruit Growers Association, Lebanon, Oreg.
Glenn Lindell	Skookum Packers Association, Inc., Wenatchee, Wash.
Ovid G. Long	Oregon-Washington Vegetable and Fruit Growers Association, Independence, Oreg.

Harry Lyons	Washington-Oregon Berry Growers Association, Sumner, Wash.
Roger J. Madsen	Oregon-Washington Vegetable and Fruit Growers Association, Inc., Hillsboro, Oreg.
Bob Marsh	Washington Asparagus Growers Association, Sunnyside, Wash.
Loyd W. McCormick	McCutchen, Doyle, Brown, Trautman & Enersen, San Francisco, Calif.
Paul O. Mohn	Federal Extension Service, U.S.D.A., Washington, D.C.
T. Ted Morinaka	Malheur Potato Bargaining Association, Parma, Idaho
Dorothy Mortensen	Ross Wurm and Associates, Modesto, Calif.
Masa Nishihara	Malheur Potato Bargaining Association, Homedale, Idaho
Mel Nunes	California Canning Peach Association, Inc., San Francisco, Calif.
Al Oldenburg	Western Farmers Association, Seattle, Wash.
Dennis Oldenstadt	Washington State University, Pullman, Wash.
H. M. Olsen	Washington State Council of Farmer Cooperatives, Seattle, Wash.
Don Olson	Washington State Department of Agriculture, Olympia, Wash.
Russell Rathbone	Western Farmers Association, Seattle, Wash.
Donald Reetz	Oregon-Washington Vegetable and Fruit Growers Association, Junction City, Oreg.
Bob Rice	Treasure Valley Bargaining Association, Caldwell, Idaho
A. J. Richter	Puyallup-Meridian Real Estate, Puyallup, Wash.
Margaret Richter	Independent Red Raspberry Growers of Washington, Inc., Tacoma, Wash.
Bill Rosatto	Agriculture Division, Department of Agriculture
Leland Ruth	Agricultural Council of California, Sacramento, Calif.
George Sadamori	Malheur Potato Bargaining Association, Nyssa, Oreg.
J. Kenneth Samuels	Farmer Cooperative Service, U.S.D.A., Washington, D.C.
Lu Sandberg	Washington Crop and Livestock Reporting Service, Seattle, Wash.
Gary Seamons	Idaho Potato Growing and Marketing Association, Blackfoot, Idaho
Elmer N. Searls	Washington State University, Puyallup, Wash.
Ray A. Schink	Northwest Washington Farm Crops Association, Mount Vernon, Wash.
Tad Shigand	Treasure Valley Bargaining Association, Nampa, Idaho
R. S. Skyton	Treasure Valley Bargaining Association, Nampa, Idaho

Claude Smith	Mississippi Federated Cooperatives, Jackson, Miss.
Dee Smith	Stone Fruit Marketing Committees, Yakima, Wash.
Edwin A. Smith	Maine Potato Growers, Presque Isle, Maine
S. R. Smith	Consumer and Marketing Service, U.S.D.A., Washington, D.C.
Wm. Staiger	Agricultural Council of California, Sacramento, Calif.
J. Kenneth Stern	American Institute of Cooperation, Washington, D.C.
Richard Stiehl	Route 4, Nampa, Idaho
Vernon Stockwell	Pacific States Canning Pear Marketing Association, Wenatchee, Wash.
Noel Stuckman	Michigan Farm Bureau, Lansing, Mich.
Ray Sulkosky	Independent Red Raspberry Growers of Washington, Puyallup, Wash.
Robert Sumner	Ohio Agricultural Marketing Association, Tiffin, Ohio
Reul N. Sutphin	Washington Asparagus Growers Association, Outlook, Wash.
C. Wm. Swank	Ohio Agricultural Marketing Association, Columbus, Ohio
Frank Trierweiler	Northwest Berry Association, Canby, Oreg.
Laszlo Valko	Washington State University, Pullman, Wash.
H. W. Vallmer	California Packing Corporation, Portland, Oreg.
H. W. Van Gelder	California Apple Growers, Sebastopol, Calif.
Clyde Ward	Baker, Oreg.
Harley H. Welch	Maine Potato Growers, Inc., Presque Isle, Maine
Wendell Weller	Ohio Agricultural Marketing Association, Columbus, Ohio
J. D. Welton	Dow Chemical, Seattle, Wash.
A. H. Whitmore	Florida Citrus Production Credit Association, Orlando, Fla.
Clay A. Whybark	Washington-Oregon Canning Pear Association, Yakima, Wash.
Emery C. Wilcox	Statistical Reporting Service, U.S.D.A., Seattle, Wash.
John Williams	Independent Red Raspberry Growers of Washington, Puyallup, Wash.
Norman Wilson	Washington Asparagus Growers Association, Prosser, Wash.
E. J. Working	Department of Agricultural Economics, Washington State University, Pullman, Wash.
Ted Zacher	Wenatchee-Wenoka Growers, Wenatchee, Wash.

LIST OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES 1/

Fruit Bargaining Cooperatives

1. Apricot Producers of California
237 Almendra
Los Gatos, California 95030
John R. Adams, General Manager
2. California Apple Growers
Sebastopol, California 95472
H. W. Van Gelder, Manager
3. California Canning Peach Association
World Trade Center, Ferry Building
San Francisco, California 94100
Ralph B. Bunje, Manager
4. California Canning Pear Association
64 Pine Street
San Francisco, California 94100
Cameron Girton, Manager
5. California Freestone Peach Association
422 Fifteenth Street
Modesto, California 95350
Richard L. Black, Manager
6. Florida Orange Marketers
P. O. Box 1483
Orlando, Florida 32800
E. H. Squire, Manager
7. Great Lakes Cherry Producers Marketing Cooperative
801 Cherry Street, S.E.
Grand Rapids, Michigan 49500
Berkley I. Freeman, Manager
8. Idaho Processing Apple Growers
Caldwell, Idaho 83605
Stanley Robinson

1/ This list, based on reports from various sources as of January 1965, includes associations having as one of their objectives the negotiation of contract terms with processors. Some of the associations, however, are currently inactive and some, because of their recent organizations, are not yet actively operating. Also listed are State Farm Bureau marketing associations affiliated with the American Agricultural Marketing Association.

9. Independent Red Raspberry Growers of Washington
Route 12, Box 268
Tacoma, Washington 98400
Hedwig Bisig, President
10. Kadota Growers, Inc.
P. O. Box 26
Planada, California 95365
V. E. Scott, Manager
11. Michigan Processing Apple Marketing Association
201½ East Grand River Avenue
East Lansing, Michigan 48823
John J. Timpson, President
12. New York State Grape Growers Cooperative
Farm and Home Center
Penn Yan, New York 14527
Howard C. Green, President
13. Northwest Berry Association
Route 1, Box 139
Canby, Oregon 97013
John C. Webber, President
14. Pacific States Canning Pear Marketing Association
Wenatchee, Washington 98801
Vernon Stockwell, President
15. Puyallup Valley Berry Growers Association
602 Todd Road
North Puyallup, Washington 98371
Charles W. Clark, Secretary-Manager
16. Tri-County Grape Growers Association
Route 1
North Madison, Ohio 44057
Richard Woodworth, President
17. Washington Freestone Peach Association
P. O. Box 2056
Yakima, Washington 98901
Harlan Gannon, Manager
18. Washington-Oregon Canning Pear Association
202 Holtzinger Building
Yakima, Washington 98901
Clay Whybark, Manager

Vegetable Bargaining Cooperatives

1. California Cucumber Growers Association
P. O. Box 666
Fremont, California 94536
S. E. Williams, Secretary
2. Contract Vegetable Growers Association
Route 2
Nampa, Idaho 83651
Duane Jacobsen, President
3. Growers Processing Association - Santa Maria Valley
P. O. Box 901
Santa Maria, California 93454
Al McKenzie, Manager
4. Idaho Potato Bargaining Association
Paul, Idaho 83347
5. Iowa-Illinois Cannery Growers' Cooperative
Wilton Junction, Iowa 52778
Herbert Ovesen, President
6. Magic Valley Canning Crop Growers Association
Hagerman, Idaho 83332
Bob Brailsford, President
7. Malheur Potato Bargaining Association
Ontario, Oregon 97914
Warren Farmer, Manager
8. Mesa County Tomato Growers
Fruita, Colorado 81521
Herman Beard, President
9. Michigan Asparagus Growers Cooperative Association
4000 North Grand River
Lansing, Michigan 49004
J. Ward Cooper, Secretary
10. Northwest Washington Farm Crops Association
621 West Division
Mount Vernon, Washington 98273
Ray Schink, Executive Secretary

11. Oregon-Washington Vegetable and Fruit Growers Association
Route 2, Box 137
Salem, Oregon 97301
Walter Collett, Manager
12. Oregon-Washington Pea Growers Association
Athena, Oregon 97813
Don Webber, President
13. Utah State Canning Crop Association
173 South Main Street
Logan, Utah 84321
A. W. Chambers, Secretary-Manager
14. Ventura Fordhook Lima Bean Bargaining Association
Oxnard, California 93030
Jean Du Fau, President
15. Washington Asparagus Growers Association
318 South Seventh Street
Sunnyside, Washington 98944
Gene R. Coe, Manager

State Farm Bureau with the Affiliated Marketing Association

American Agricultural Marketing Association
1000 Merchandise Mart
Chicago, Illinois 60654

Charles B. Shuman, President
Roger Fleming, Secretary-Treasurer
Allen Lauterbach, Assistant Secretary-Treasurer
Wayne E. Tyler, Field Director
Harold J. Hartley, Manager, Fruit and Vegetable Div.
J. Ward Cooper, Manager, Apple Department

1. Agricultural Service, Inc. - New Hampshire
191 N. Main Street
Concord, N. H. 03300
A. Paul Stimson, President
L. Gray Estes, Manager

2. California Agricultural Marketing Association
2855 Telegraph Road
Berkeley, Calif. 94700
Emil Dietz, Manager
3. Colorado Farm Bureau Marketing Association, Inc.
Route 2
Grand Junction, Colo. 81501
Lloyd Sommerville, President
4. Delaware Farm Bureau
Dupont Highway, Route 13, Box 110
Dover, Del. 19901
Roland E. Garrison, President
Ernest F. Smith, Jr., Exec. Secy. & Mgr.
5. Farmers Agricultural Cooperative Trading Society - Massachusetts
155 Lexington Street
Waltham, Mass. 02081
Lloyd A. Hathaway, President
6. Georgia Farm Bureau Marketing Association
2374 Ingleside Avenue
Macon, Ga. 31202
William L. Lanier, President
7. Farm Bureau Marketing Association of Idaho, Inc.
Route 2
St. Anthony, Idaho 83445
Nyal Rydalch, President
8. Indiana Agricultural Marketing Association
130 E. Washington Street
Indianapolis, Ind. 46204
George Doup, President
Paul T. Norris, Manager
9. Kansas Agricultural Marketing Association, Inc.
2321 Anderson Avenue
Manhattan, Kans. 66502
Walter C. Peirce, President
Myron Hillman, Manager
10. Kentucky Farm Bureau Development Corporation
Owenton, Ky. 40359
Jack Welch, President

11. Maryland Agricultural Cooperative Marketing Association
P. O. Box 520
Randallstown, Md. 21133
A. Kenneth Miller, Manager
Young D. Hance, President
12. Michigan Agricultural Cooperative Marketing Association
4000 North Grand River Avenue
Lansing, Mich. 48904
Walter Wightman, President
Robert E. Braden, Field Services Director
13. New Jersey Agricultural Marketing Association, Co-op.
168 W. State Street - The Farmhouse
Trenton, N. J. 08608
Carleton E. Haritage, President
C. H. Fields, Executive Secretary
Thomas Moore, Manager
14. New York Farm Bureau Marketing Cooperative, Inc.
110 N. Tioga
Ithaca, N. Y. 14850
William E. Bensley, President
John Follman, Manager
15. Ohio Agricultural Marketing Association
245 N. High Street
Columbus, Ohio 43216
Frank B. Sollars, President
D. R. Stanfield, Exec. Vice Pres.
C. William Swank, Manager
16. Pennsylvania Agricultural Cooperative Marketing Association
21st and Chestnut Avenue
Camp Hill, Pa. 17011
G. A. Biggs, President
Robert L. Steele, Mgr., Apple Marketing Division
Thomas Moore, Mgr., Tomato Marketing Division
17. Quality Vegetable Growers Association - Illinois
1701 Towanda Avenue
Bloomington, Ill. 61702
Phillip C. Collins, President
Duane Martin, Manager

18. South Carolina Farm Bureau Marketing Association
P. O. Box 754
Columbia, S. C. 29202
David H. Sloan, Jr., President
E. W. Brooks, Exec. Vice Pres.
19. Texas Agricultural Marketing and Development Association
401 Franklin Avenue
Waco, Tex. 76703
C. H. DeVaney, President
Walter Meyer, Manager
20. Utah Agricultural Marketing Association
65 E. Fourth South Street
Salt Lake City, Utah 84111
A. V. Smoot, President
Frank G. Sheeley, Secretary
21. Virginia Agricultural Marketing Association
212 W. Grace Street
P. O. Box 2-B
Richmond, Va. 23203
Robert B. Delano, President
Louis Chisholm, Secretary
22. West Virginia Agricultural Marketing Association, Inc.
Adrian Road
Route 3, Box 156-A
Buckhannon, W. Va. 26201
Paul Nay, President
E. O. Gregory, Secretary-Treasurer
23. Wisconsin Agricultural Marketing Association
801 W. Badger Road
Madison, Wis. 53700
Percy Hardiman, President
William Kasa Kaitas, Secretary